

U.S. Aides Feel Beijing Shots Hurt China's Army

By Bernard E. Trainor

New York Times Service

NEW YORK — Bush administration officials say the Chinese Army put party loyalty and internal stability above all else when it fired on unarmed civilians in and around Tiananmen Square.

But specialists on the Chinese Army say

NEWS ANALYSIS

that in doing so, the army created problems for itself that will take a long time to solve. In the opinion of one official, the political leadership felt threatened by the student demonstrations and held the army to its pledge of loyalty to the Communist Party when it imposed martial law and ordered the army to break up the demonstrations.

Despite hesitation and misgivings by Chinese officers of every rank, the army felt compelled to obey its orders, the official said.

A former U.S. military attaché to China said Chinese soldiers had been required to swear allegiance to the party since 1982. According to Paul Godwin, of the National Defense University in Washington, the army paid a price for its heavyhandedness.

"The legitimacy of the army was discredited in the eyes of the Chinese people, and the army's goal of becoming an apolitical and modernized, professional army was dealt a serious blow," he said. Most Washington-based analysts interviewed agreed with this assessment.

Although these specialists agreed on the motivation for the army's actions and its immediate consequences, they were uncertain about what happens next.

Harry Harding of the Brookings Institution doubts whether the Chinese military leaders themselves know. "There is great turmoil within the army over what happened, what it means and where things are going," he said.

Experts in and out of the U.S. government say they still do not know what went on in the army during the days leading up to the assault. The Chinese Army appeared initially split over how to deal with the demonstrators. A Bush administration official said that elements of warlordism and of special personal loyalties existed among Chinese Army leaders and their units identify with specific party leaders.

This divided loyalty led to early speculation that civil war might erupt between factions favoring moderation and those committed to crushing the demonstrations. "If the top political leadership openly split, the army would have followed suit," the official said.

Although some units refused to use force, in the end they did not oppose those who did, despite some minor skirmishing between different units.

According to Kenneth Lieberthal, a University of Michigan specialist on China, who recently returned from a visit there, senior leaders in the army are cau-

tious and conservative men. While many of them shared the views of the students, he said, domestic disorder was more important to them than suppression of the pro-democracy movement.

Specialists on China believe that all factions of the army are concerned about the prospects now for military modernization. The Chinese Army was well along the road to modernization and was developing strong professional ties with the U.S. military when it was called upon to crush the demonstrations. U.S. arms sales to China this year had been anticipated to total about \$625 million.

The United States was also providing technical assistance and professional training to all branches of the army. All this came to an end when President George Bush cut off arms sales and military contacts on June 5 in reaction to the Tiananmen Square violence.

Most experts believe that it will take years before the modernization program gets back on track.

Polish Vote Gives Union Leverage In Politics

By Jackson Diehl

Washington Post Service

WARSAW — The Solidarity movement won all but one of the 261 seats it was allowed to contest in the quasi-democratic parliamentary elections in Poland and gained a check on the governmental power of the ruling Communists, unofficial returns showed Monday.

Results collected by the election offices of the opposition showed that Solidarity candidates won eight of nine races in the runoff elections on Sunday, meaning that the movement would have 99 of 100 seats in the freely elected Senate and all of the 35 percent of the seats in the Sejm, or parliament, allocated to nonparty candidates.

The only non-Solidarity candidate to be elected to the Senate was Henryk Jablonski, a businessman and ex-Communist, who won a seat in the northwestern Pila Province. The Communists and their allies filled 295 Sejm seats in the elections after suffering a crushing rejection in the first round of balloting two weeks ago.

The new parliament is now required to meet within one month to elect a state president, a powerful new post created to oversee the Sejm. Though a pre-electoral agreement between the Communists and Solidarity was meant to guarantee the party enough votes to fill the post, the election results have cast doubt on the ability of the party leadership to hold the allegiance of its delegates, especially those from two small parties formally allied with the Communists.

Solidarity committees in several areas of Poland interviewed official candidates for the Sejm and endorsed those thought to be supportive of the union. But it was not clear Monday how many of those candidates won or who they will be loyal to.

The Communist leader, General Wojciech Jaruzelski, announced last week that he had not yet decided whether to run for the presidency. Party officials said that a Communist Party plenum due to be held next week would probably be asked to decide on an official candidate.

Though Solidarity leaders say they expect the party to retain its hold on the presidency through Mr. Jaruzelski or some other candidate, the election results have given the opposition unprecedented power to block government initiatives. Under constitutional provisions agreed to in the negotiations between the party and the opposition earlier this year, the Senate will have the power to veto any government-sponsored legislation.

The constitution provides that a veto by the Solidarity-controlled Senate may be overridden by a two-thirds vote of the Sejm. But since Solidarity holds 35 percent of the Sejm, any Communist initiative uniformly opposed by the opposition will be impossible to implement legally.

But as Solidarity savored its victory, there was a hint of internal tension within the movement. The union's executive committee under Lech Walesa announced Sunday that it had decided to dissolve the network of citizen's committees set up around Poland to run the election campaign. The move appeared to reflect pressure on the long-standing alliance within Solidarity of blue-collar workers and opposition politicians, most of them intellectuals.

WORLD BRIEFS

Ligachev Is Allowed to Publish Book

MOSCOW (Reuters) — Yegor K. Ligachev, formerly No. 2 in the Kremlin and recently accused of corruption and incompetence, won official approval on Monday for the publication of his selected political works.

"The collection is aimed at party activists, ideological and scientific workers and a wide circle of readers," Tass said. The book includes articles by the conservative Mr. Ligachev on the restructuring of society and the economy and on Communist Party policy.

He was the de facto No. 2 to Mikhail S. Gorbachev, Soviet president and party leader, until he was removed from the post of ideology chief in September to head agriculture. He has denied an allegation that he was among high officials whose names had come up in a major investigation of corruption.

Rains Ravage India and Bangladesh

NEW DELHI (AP) — Swollen rivers in a hilly northeast state caused landslides that killed 16 persons and left thousands homeless, new reports said Monday.

United News of India said that four soldiers were among those killed in landslides and floods Thursday in Arunachal Pradesh state, about 1,450 kilometers (900 miles) east of New Delhi. It said that relief camps had been set up for thousands of people whose houses had been washed away. Following three days of monsoon rains, rivers in northern and eastern Bangladesh burst their banks, leaving at least 10,000 people homeless, officials and news reports said Monday.

Warring Natal Blacks Holding Talks

DURBAN, South Africa (Reuters) — Two warring black parties met Monday for talks aimed at ending two years of violence in which more than 1,300 people have been killed in Natal Province.

As the talks began between the Zulu-based Inkatha movement and the leftist United Democratic Front, the police said the feud had claimed nine more victims over the weekend.

They said two men were stabbed to death and a third died after being set on fire in Durban's KwaMashu township. In neighboring townships, five more blacks were shot to death and a man was stabbed to death. Delegates from both parties refused to comment as they arrived at a Durban hotel for the talks.

Iran Speeds Up Vote for President

NICOSIA (Reuters) — Moving quickly into the post-Khomeini era, Iran announced Monday that it had moved forward the presidential election expected to confirm Ali Akbar Hashemi Rafsanjani as the dominant political force.

The vote will take place on July 28, three weeks earlier than planned. Interior Minister Ali Akbar Mohtashemi said President Ali Khamenei, appointed religious leader after Ayatollah Ruhollah Khomeini's death on June 3, will step down as head of state.

A referendum on constitutional changes will also be brought forward to July 28. The changes are expected to make the new president the government's chief executive with much wider powers than President Khamenei has held.

U.S. Court Bars More Atoll Payouts

WASHINGTON (AP) — The Supreme Court on Monday barred additional U.S. compensation to inhabitants of the Marshall Islands for the effects of nuclear-weapons testing there more than 30 years ago. The court, without comment, let stand a ruling that threw out a lawsuit by residents of the Pacific island republic.

Officials from the United States and the Marshall Islands signed an agreement in 1983 requiring the United States to set up a \$150 million fund, with annual interest paid to those affected by nuclear testing conducted from 1946 to 1958. The pact also created a tribunal to award additional funds to those with valid claims. But a federal appeals court in Washington ruled that the 1983 agreement, supported by legislation that took effect in 1986, bars island inhabitants from suing the United States for additional compensation.

Prosecutors Seek Jail Term for North

WASHINGTON (AP) — Prosecutors in the Iran-contra trial asked the judge on Monday to sentence Oliver L. North to prison, arguing that the former presidential aide lied at his trial, showed no remorse and viewed himself as "above the law and beyond reproach."

In a memorandum filed four days before Mr. North's sentencing, prosecutors urged the U.S. District Court judge, Gerhard A. Gesell, to consider the former aide's "breach of public trust and misuse of public power, the destructive effect of his criminal behavior on the functioning of government, his perjury and his total lack of remorse."

The former marine lieutenant colonel faces a possible 10-year sentence in the arms-for-hostages case for aiding and abetting the obstruction of Congress, destroying or mutilating government documents and accepting an illegal gratuity, a \$13,800 security system outside his home. Mr. North, 45, was acquitted of nine other counts.

For the Record

Sudan has arrested 14 officers and 48 civilians in connection with a plot to topple the government and bring the former president, Gaafar Nimeiri, who was deposed in 1985, back to power, independent Khartoum newspapers said Monday.

A bomb exploded at a British barracks in Osnabrück in Lower Saxony on Monday, and investigators said they believed the IRA was responsible. No one was injured but buildings at the Quebec barracks of the 12 Armored Division were damaged.

Admiral William J. Crowe Jr. intends to retire when his second two-year term as chairman of the Joint Chiefs of Staff expires at the end of September, Pentagon officials said Monday. (UPI)

Correction

Because of an editing error, an article in the June 16 special report on the French economy misstated the figure for the capitalization of the bourse in 1988. The figure should have been 438 billion francs (\$64.4 billion).

TRAVEL UPDATE

Airlines may have to triple the number of flights in Europe by the year 2000 if they are to keep up with the expected increase in passengers, the International Air Transport Association said Monday in Geneva. (AP) Greece has reopened its side of the main Ipsala border crossing with Turkey, closed since Thursday apparently because of a strike by customs officials. (Reuters)

WEATHER

EUROPE					ASIA					
	HIGH	LOW	WIND	PRECIP.		HIGH	LOW	WIND	PRECIP.	
Algeria	23	17	16	44	fr	Bangkok	32	23	77	fr
Amsterdam	22	17	16	44	fr	Beijing	32	23	77	fr
Athens	24	17	16	44	fr	Hong Kong	32	23	77	fr
Berlin	22	17	16	44	fr	Manila	32	23	77	fr
Bombay	32	23	77	fr	fr	New Delhi	32	23	77	fr
Buenos Aires	24	17	16	44	fr	Seoul	32	23	77	fr
Calcutta	32	23	77	fr	fr	Singapore	32	23	77	fr
Cairo	32	23	77	fr	fr	Taipei	32	23	77	fr
Canton	32	23	77	fr	fr	Tokyo	32	23	77	fr
Cebu	32	23	77	fr	fr					
Colon	32	23	77	fr	fr					
Dakar	32	23	77	fr	fr					
Dhaka	32	23	77	fr	fr					
Delhi	32	23	77	fr	fr					
Dubai	32	23	77	fr	fr					
Edinburgh	22	17	16	44	fr					
Geneva	22	17	16	44	fr					
Hankow	32	23	77	fr	fr					
Hong Kong	32	23	77	fr	fr					
Kobe	32	23	77	fr	fr					
London	22	17	16	44	fr					
Lyons	22	17	16	44	fr					
Madrid	24	17	16	44	fr					
Manchester	22	17	16	44	fr					
Medan	32	23	77	fr	fr					
Moscow	22	17	16	44	fr					
Mumbai	32	23	77	fr	fr					
Nairobi	32	23	77	fr	fr					
Osaka	32	23	77	fr	fr					
Paris	22	17	16	44	fr					
Peking	32	23	77	fr	fr					
Rangoon	32	23	77	fr	fr					
Reykjavik	22	17	16	44	fr					
Rome	22	17	16	44	fr					
Singapore	32	23	77	fr	fr					
Stockholm	22	17	16	44	fr					
Sydney	22	17	16	44	fr					
Taipei	32	23	77	fr	fr					
Tokyo	32	23	77	fr	fr					
Yokohama	32	23	77	fr	fr					

AFRICA					LATIN AMERICA					
	HIGH	LOW	WIND	PRECIP.		HIGH	LOW	WIND	PRECIP.	
Algeria	23	17	16	44	fr	Buenos Aires	24	17	66	fr
Cairo	32	23	77	fr	fr	Caracas	24	14	57	2fr
Casablanca	24	17	16	44	fr	Havana	20	18	30	fr
Dakar	32	23	77	fr	fr	Lima	22	17	66	fr
Delhi	32	23	77	fr	fr	Managua	27	21	72	fr
Dubai	32	23	77	fr	fr					
Edinburgh	22	17	16	44	fr					
Geneva	22	17	16	44	fr					
Hankow	32	23	77	fr	fr					
Hong Kong	32	23	77	fr	fr					
Kobe	32	23	77	fr	fr					
London	22	17	16	44	fr					
Lyons	22	17	16	44	fr					
Madrid	24	17	16	44	fr					
Manchester	22	17	16	44	fr					
Medan	32	23	77	fr	fr					
Moscow	22	17	16	44	fr					
Mumbai	32	23	77	fr	fr					
Nairobi	32	23	77	fr	fr					
Osaka	32	23	77	fr	fr					
Paris	22	17	16	44	fr					
Peking	32	23	77	fr	fr					
Rangoon	32	23	77	fr	fr					
Reykjavik	22	17	16	44	fr					
Rome	22	17	16	44	fr					
Singapore	32	23	77	fr	fr					
Stockholm	22	17	16	44	fr					
Sydney	22	17	16	44	fr					
Taipei	32	23	77	fr	fr					
Tokyo	32	23	77	fr	fr					
Yokohama	32	23	77	fr	fr					

NORTH AMERICA					
	HIGH	LOW	WIND	PRECIP.	
Albuquerque	18	64	8	46	pc
Atlanta	30	86	20	46	fr
Boston	27	18	44	46	fr
Chicago	27	81	16	57	cl
Dallas	36	87	16	61	fr
Denver	36	87	16	61	fr
Detroit	31	86	16	61	fr
Honolulu	31	68	23	72	pc
Los Angeles	31	86	16	61	fr
Managua	27	81	16	61	fr
Los Angeles	32	91	17	62	fr
Miami	22	90	25	73	cl
Minneapolis	28	18	44	46	fr
New York	28	19	15	37	pc
Omaha	30	80	25	77	fr
Philadelphia	31	86	16	61	fr
Pittsburgh	31	86	16	61	fr
Phoenix	43	113	29	84	fr
San Francisco	52	113	29	84	fr
Seattle	17	63	9	46	fr
Washington	30	71	70	70	fr
Toronto	26	79	16	61	fr
Vancouver	30	71	70	70	fr

cl:cloudy; lo:heavy; fr:fair; h:hot; o:overcast; pc:partly cloudy; r:rain; sh:showers.

TUESDAY'S FORECAST - CHANNEL: Bitterly cold. FRANKFURT: Fair. Temp: 10 - 21 (11 - 23). LONDON: Fair. Temp: 12 - 17 (15 - 19). MADRID: Fair. Temp: 17 - 24 (19 - 27). MOSCOW: Temp: 27 - 37 (29 - 40). PARIS: No. overcast. ROME: Fair. Temp: 15 - 25 (18 - 21). ST. LOUIS: Partly cloudy. Temp: 65 - 85 (68 - 88). SYDNEY: Partly cloudy. Temp: 55 - 61 (51 - 57). BANGKOK: No. overcast. HONG KONG: No. overcast. MANILA: No. overcast. NEW DELHI: No. overcast. SEATTLE: No. overcast. SINGAPORE: No. overcast. TAIPEI: No. overcast. TOKYO: No. overcast. YOKOHAMA: No. overcast.

CHINA: After Tiananmen: Shattered Images of a Nation and of an Army

(Continued from page 1)

change and progress seemed inevitable in China, and the nation breathed hope, only to see those aspirations dashed by warlords and invasion and civil war.

At stake is the capacity of China to evolve to a more democratic and pluralistic society. At stake are the hopes of many here that the combination of resistance and economic challenge will end the repression and open a period of political and economic change.

There is no more consensus among Chinese than among foreigners about the nature of the real China, but many students have been optimistic. They believe that the government must fall because it is bankrupt of popular confidence.

"We have already won," a student said the day after the worst killing. His blood-stained shirt was

testimony to the two friends he had carried to the hospital, where he was interviewed. "We have shed blood. This method of repression will raise public anger and give us more support."

The student said the government would topple before long. He said that China would rediscover relative openness and that his two dead friends would be honored as "martyrs," not condemned as "thugs."

The other view, less idealistic, was expressed by a doctor a few feet away. "Half a century from now, after a new regime comes to power, there will be a new judgment on this incident," he said.

Would it take 50 years? an interviewer asked. The doctor considered for a moment. Well, he answered, not much longer than that.

"I don't know how long this situation will last, but I have a feeling now that the transition from dictatorship to some Chinese form of

democracy is going to be very, very painful and very, very painful and violent," said Andrew J. Nathan, professor of political science at Columbia University. "And yet I cannot envision how the trend in that direction can be totally stemmed. This is an indication that this is going to be a very bloody and long struggle. It's a serious setback, but not permanent. It's not the end of the story."

The lack of any Chinese pattern of democracy has stimulated an enormous amount of soul-searching among Chinese intellectuals around the world, periodically over the last 100 years and particularly in the last several years.

But these days there is an example of a Chinese society that is growing more democratic, and that is Taiwan. In the last few decades, and especially in the last few years, Taiwan has moved from rigid authoritarianism — relying on tor-

ture, even murder, and a one-party system — to a more open and increasingly democratic society.

American conservative thought has emphasized a distinction between authoritarian governments and totalitarian ones, the latter supposedly being more oppressive and less adaptable. But even if one does not accept that logic, there are reasons why scholars say it will be difficult for the mainland to democratize as successfully as Taiwan.

Byron S.J. Wong, a scholar at Chinese University in Hong Kong, suggests that a factor in Taiwan's evolution was its educational achievements: illiteracy has been almost wiped out, and 2 percent of the population is currently in college or university, compared with approximately 20 percent illiteracy on the mainland and only one-fifth of 1 percent of the population in college or university.

To Mr. Wong, this suggests that peaceful evolution in China may be more difficult than it was on Taiwan.

"The next time, the demonstrations will not be so peaceful," he said. "If the next movement comes against the same regime, you can be sure it will not be so peaceful. If there is to be a second wave against the current regime, people won't be asking for dialogue. They'll be asking for leaders to step down and they'll be willing to use force against them."

PALME: Widow Testifies

(Continued from page 1)

abouts and movements on the night of the killing.

The earlier setbacks for the prosecution made Mrs. Palme's testimony all the more crucial, and she proved to be an extremely effective witness. Her comments in court Monday were her first public statements about the murder.

Just how much her testimony will help the prosecution is uncertain. It remains a trial with no forensic evidence. No weapon was ever found. There was no apparent motive for the killing, although Mr. Peterson does have a history of drug and alcohol abuse, as well as violence, including killing a man with a bayonet in the 1970s.

Moreover, Mrs. Palme has not testified that she saw Mr. Peterson with a gun nor said specifically that he was the killer.

"She saw someone a short distance away and she firmly believes it was this man," said Jan Gehlin, a former judge and attorney, who is attending the trial as a commentator for Swedish radio. "But that does not mean he was the assassin. The case is not closed in my opinion."

In her testimony, Mrs. Palme brushed aside the defense attorney's suggestion that there were any inconsistencies in the statements she made previously to the prosecutors.

For example, in court documents, she said that she saw Mr. Peterson three times shortly after her husband was shot. The first time was within seconds of the shooting at a distance that Mrs. Palme recalled as "five to seven meters," but the third time was from a much greater distance and, she estimated, about "one to three minutes" after Mr. Palme was shot.

Mr. Liljerost, the defense attorney, noted the long time that an alleged killer was still within sight and asked Mrs. Palme, "Is that reasonable behavior?"

"No, it is not," Mrs. Palme replied. "But he's not a normal man." More than in some countries, the Swedish justice system allows witnesses to make observations and elaborate in their replies, sometimes straying from the question put to them. And Mrs. Palme, a 58-year-old child psychologist, repeatedly digressed to cite her professional training, apparently trying to impress the court that she was a reliable observer and witness.

ARRESTS: 'Quite a Lot' More

(Continued from page 1)

Beijing, where they had been garrisoned since putting down the pro-democracy demonstrations, Reuters reported. Central Beijing and especially Tiananmen Square, focal point of the student-led protests, looked much as it did before the tanks rolled in the night of June 3-4.

Although the government regards those it arrests as "thugs" who engaged in violence, they are widely viewed here and abroad as political protesters.

In his television warning about arrests, Prime Minister Li added: "The counterrevolutionary rebellion is basically over. Now the situation is developing in a positive way."

He suggested that China had been more tolerant of protest than other countries — apparently including the United States — that have been criticizing China.

"Can their governments pursue an attitude of tolerance to such an extent?" he asked. "Such an attitude can be found in no other countries."

Mr. Li, shown during a meeting with the families of three soldiers killed by crowds of demonstrators during the turmoil, also praised the "three martyrs" as they have come to be known.

Meanwhile, the government announced Monday that an American freelance reporter, Joseph F. Kahn, had been ordered to leave China within 72 hours because of interviews he conducted in a town on the outskirts of Beijing.

The government said that the interviews, which focused on the military crackdown and the propaganda drive on television, violated martial law and were incompatible with Mr. Kahn's tourist visa status.

Mr. Kahn, who acknowledged that he had a tourist visa, has been contributing to The Dallas Morning News.

U.S. Cautions Travelers

The Bush administration said Monday that U.S. business representatives and other Americans should continue to avoid China, even if the turmoil there appears to have temporarily subsided. The Associated Press reported from Washington.

At the same time, officials rejected a suggestion by the House speaker, Thomas S. Foley, that President George Bush step up his condemnation of Beijing in view of the recent death sentences for students.

BUSH: In the President's Style

(Continued from page 1)

predicted a head-on collision between the two strong-willed men over turf and policy.

Mr. Summu and Mr. Darman acknowledge the widely shared view of themselves in recent years as very smart, ambitious and, at times, abrasive.

Mr. Darman said, "We have certain similarities, some of which are unattractive."

Mr. Summu's confidence in Mr. Darman has been one key to the recent smoother staff performance after a rocky start marked by the Senate rejection of John G. Tower's nomination to be secretary of defense.

"Whenever I have a tough situation, I sit down with Dick," Mr. Summu said. The chief of staff relies on the budget director for advice not only on economic matters, but also on congressional relations, initiatives, speeches and the president's schedule.

Aides say that it is in the self-interest of both men to shape an alliance because Mr. Bush made it clear from the start that he would not tolerate the kinds of internal clashes that he witnessed as vice president in the Reagan White House.

It is valuable for Mr. Summu to enlist the experience of a skilled Washington operative to guide a staff that the Bush aides say suffers from a lack of political savvy.

Mr. Darman was a top White House strategist in the first term of the Reagan administration and then became deputy secretary of the Department of the Treasury, where he helped overhaul the federal tax codes.

A senior administration official said that the alliance between Mr. Summu and Mr. Darman was "un-expected but somehow inevitable."

"What it says is that nature abhors a vacuum," the official said, "and given the fact that this is not a supercharged staff under Summu, it was inevitable he would look to

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Talk of Guns for Cambodians Revives Haunting U.S. Debate of 1960s

By David B. Ottaway

WASHINGTON — Does the United States have a "transcendental" moral obligation to help prevent another possible holocaust in Cambodia by sending arms to the non-Communist resistance?

Representative Stephen J. Solarz, Democrat of New York, argues that it does.

Or should it avoid such a plunge into the dark political waters of Southeast Asia, as many U.S. experts warn?

Haunted by memories of the Vietnam War, Congress is sending strong signals that it is at best uneasy with the new direction in U.S. foreign policy that the Bush administration is proposing for that faraway regional conflict.

Congress is apparently even more uncertain about the administration's proposed means for re-engaging the United States there: a CIA-managed covert operation, probably costing, at the start, an estimated \$20 million to \$30 million, according to Mr. Solarz.

The plan reportedly would provide 12,000 light arms and other military supplies to two shaky non-Communist groups opposing the Hun Sen-backed government.

After a decade of general U.S. indifference toward the Cambodian conflict, the administration has proposed an 11th-hour bid to bolster the resistance's bargaining position this summer during a series of conferences called to try to find a peaceful political settlement before Vietnam pulls its last troops out of Cambodia Sept. 30.

"Surely we have learned from our experience in Vietnam, if nothing else, that if

NEWS ANALYSIS

we are to succeed in a new policy toward that region, it cannot be achieved through secret policy-making, secret military programs, secret arms transfers or secret deals," Senator Robert C. Byrd, chairman of the Appropriations Committee, said of the administration's plan.

It isn't just Mr. Byrd, Democrat of West Virginia, who is worried. Three other Democratic senators, Claiborne Pell of Rhode Island, who is chairman of the Foreign Relations Committee; Alan Cranston of California, chairman of the East Asian subcommittee; and David L. Boren of Oklahoma, chairman of the Select Committee on Intelligence, have raised questions about the administration's plan or the covert-aid approach.

"We take the point," said a senior U.S. official, who indicated the administration is now reconsidering its presentation of the plan if not yet the plan itself, for the proposed new U.S. military engagement in Cambodia.

The U.S. policy problem — provoked by Vietnam's announcement in April that it will pull all its troops out of Cambodia by Sept. 30 — is reminiscent of another that gripped the Reagan administration in the months before the final Soviet withdrawal from Afghanistan on Feb. 15. Then, U.S. policymakers scrambled in vain to arrange a political settlement among Afghan factions that would both remove the Soviet-backed regime and avoid a prolonged civil war.

Now, U.S. policymakers are trying to find a solution to keep the Vietnam-backed regime in Phnom Penh from staying on and to prevent a civil war from breaking out among leading Cambodians.

This time, the U.S. diplomatic feat is even more complicated than in Afghanistan because Washington also wants to keep the most powerful opposition group, the Chinese-backed Khmer Rouge, from emerging as the victor.

The Khmer Rouge forces, which ruled

Cambodia from 1975 to 1978 and exterminated more than a million Cambodians, have by all accounts the most effective and battle-hardened troops — 30,000 to 40,000 — of all groups resisting the Phnom Penh regime.

Part of the administration's problem is the lack of any clear alternatives that point the way to a certain outcome. If there is muddle in U.S. policy, there is even more muddle in Cambodian politics.

There is little certainty that the two Cambodian non-Communist resistance factions led by Prince Norodom Sihanouk and Son Sann can prevail either politically or militarily, even if the United States does provide military support.

Also, to the great annoyance of the Bush administration, there has been a shift in Thailand's policy toward accommodation with the present Vietnam-backed Phnom Penh regime of Hun Sen. Were Thailand to decide to make peace with Hun Sen, it is questionable whether it would still allow U.S. arms to flow through its territory.

Added to this uncertainty is China's position after its crackdown on the student-led pro-democracy movement and the rising tensions between Beijing and Washington.

Chinese leaders had previously told the administration that they would help block the Khmer Rouge from returning to power by ending arms shipments and offering asylum to its leaders. Whether they are still in such a cooperative mood is unclear.

Meanwhile, the administration's position on a political settlement is so full of nuances and complications that many in Congress have difficulty understanding it.

In testimony before a Senate panel March 15, Secretary of State James A. Baker 3d said that giving the Khmer Rouge a role in a future Cambodian government was "a fact of life."

"I think that we have talked about a quadripartite representation from all four of the major elements with Prince Sihanouk being the preferred head of government," he said. "You're going to have Khmer Rouge there."

Prince Sihanouk himself had proposed such a four-way coalition and that each faction, including the Khmer Rouge, provide 10,000 troops to set up a coalition army.

Representative Chester G. Atkins, Democrat of Massachusetts, attacked

such a coalition last Monday before a Senate panel, arguing it would allow "the legitimate arrival" of the Khmer Rouge army in Cambodia and give it "an additional front, downtown Phnom Penh," from which to pursue power.

Since Mr. Baker's March 15 statement, the administration has emphasized its total opposition to the return of the Khmer Rouge to power under any guise.

To block that return, the administration regards Prince Sihanouk as crucial, both to head up an interim government and to act as "the focus for national unity." It wants to build him up politically and militarily to make "the non-Communist standard an increasingly viable alternative" for those opposed both to the Khmer Rouge and the Vietnam-backed Hun Sen regime.

But U.S. support for Mr. Sihanouk apparently remains conditional. Undersecretary of State Robert M. Kimmitt said in testimony before a Senate panel last week that the U.S. ability to support Prince Sihanouk in any coalition government would depend "on the extent to which the non-Communists are seen as distancing themselves from the Khmer Rouge, and the extent of Khmer Rouge involvement, if any, in such a coalition."

Unamused, Mrs. Bush Dims Atwater's Star

By Maureen Dowd

WASHINGTON — President Bush's wife has many official duties. They also have an unofficial one — watching over the president's image.

Just as Nancy Reagan protected her husband's stately persona, challenging advisers when "her Ronnie" was being oversteered with facts or overlooked for public appearances, so Barbara Bush keeps an eye on people who make her husband look bad.

President George Bush remembers slights, but Mrs. Bush is considered the couple's true "institutional memory."

Reports began circulating recently in Washington that Mrs. Bush was displeased with Lee Atwater's second career as an impersonator of Elvis Presley.

With his doing occasional shows at clubs and his appearance on the television show "Late Night With David Letterman," she complained, he was not paying proper attention to his job as Republican Party national chairman.

More importantly, she felt that his Peck's Bad Boy behavior was "unbecoming" the image of the party her husband heads.

And if there is one thing that Mrs. Bush will not tolerate, it is

trivial pursuit. "She feels very protective of the man and the office," said a White House official. "And if she feels her man or the presidency is being trivialized, she will certainly let you know. She'll say, 'O.K., guys, straighten up.'"

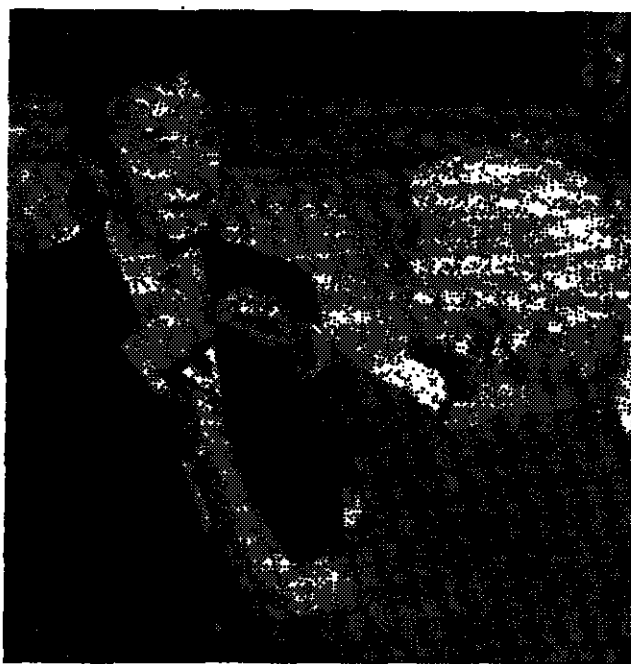
When Mr. Atwater, who is 38, showed up in Esquire magazine saluting in red running shorts with his sweatshirt down around his neck, Mrs. Bush saw a little red.

It was, White House aides said, a clash of Yankee class and Dixie crudity. "Certainly, she would have preferred that he keep his pants on," said a friend of Mrs. Bush. "But then, she prefers that in most circumstances."

Many of Mr. Atwater's Republican friends had encouraged his antics, thinking that his comely style was wiping the county-club patina off the Republican Party.

But Mrs. Bush's discomfort has had its effect — suddenly Republicans can be heard suggesting that in a year or so, when a controversy over Republican insinuations against Speaker Thomas S. Foley of the House of Representatives has calmed, the party might have a less showy leader.

In 1986, Mr. Atwater offended Mrs. Bush with a raunchy act for



President Bush's wife, Barbara, made sure his tie was all right before a TV taping in the White House of a cultural event.

Esquire in a profile entitled "Why is Lee Atwater So Hungry?"

The head of Mr. Bush's Political Action Committee used vulgar language, opened the door to an interviewer while wearing nothing but boxer shorts and socks and, in an imitation of Lyndon B. Johnson while president, continued the interview while in the bathroom.

There was talk that Mrs. Bush's

reaction might cost Mr. Atwater the chance to run Mr. Bush's campaign. But he did get the job and after he helped Mr. Bush lock up the nomination, Mrs. Bush promised she would be grateful forever.

Friends say that the Bushes view themselves as caretakers of a precious commodity — the dignity of the presidency. And they advise Mr. Atwater to keep his head down and his clothes on.

Wrong Tack for Teen-Agers?

U.S. Report Urges Basic Change in Adolescent Schooling

By Edward B. Fiske

NEW YORK — The Carnegie Corp. of New York has called for basic changes in the way schools in the United States teach students in the years of adolescence, when, despite a "desperate sense of isolation," they are thrust into big schools and shuttled from class to class.

Moreover, the corporation, which for most of this century has been a force in educational change, said in a study that there was a "volatile mismatch" between "the organization and curriculum of middle-grade schools" and "the intellectual and emotional needs" of students up to the age of 15.

"Young adolescents have a great need for intimacy, yet we put them in large, impersonal schools," the report said. "Young adolescents need increased autonomy, yet we put them in environments of review and rote learning."

The report, "Turning Points: Preparing American Youth for the 21st Century," called on educators and others to make schools smaller, more flexible and more conducive to close relationships between students and adults.

The Carnegie Corp. of New York, which was established in 1911 by the industrialist Andrew Carnegie, has been a force for change in areas ranging from the

training of doctors to early childhood education.

The report was prepared by the Task Force on Education of Young Adolescents, a project of the three-year-old Carnegie Council on Adolescent Development. David W. Hornbeck, former superintendent of education in Maryland, was chairman of a panel of 17 educators, political leaders and foundation executives.

The study made these specific recommendations for enhancing the education of adolescents:

- Increase intimacy by creating schools within schools, containing 200 to 300 students.

- Assign every student an adult who "has the time and takes the trouble to talk" with the student.

- Build on adolescent preoccupation with social relationships by allowing small groups of students to work together on projects.

- Organize teachers into interdisciplinary teams with discretion to modify curriculums, schedules and other aspects of learning to meet changing student needs.

- Encourage volunteer work and other means of getting students involved in the community.

The study called for the abolition of putting students of similar academic ability in the same classes. Tracking, which it said is "almost universal in middle-grade schools," is described as "one of

the most divisive and damaging" practices because too many children end up in "dull and repetitive" low-level classes. In tracking, a student is placed on a long-term program based on his or her early scholastic achievements and is forced to remain in it.

The study suggested that teachers use peer tutoring, which has "consistent positive effects on achievement outcomes."

Copies of the report are available for \$9.95 from the Carnegie Council on Adolescent Development, Suite 900, 11 Dupont Circle N.W., Washington, D.C., 20036.

N.Y. Schools Ban Commercial TV

New York Times Service

ALBANY, N.Y. — The state's board of regents has unanimously voted to prohibit commercial television programs in public schools, dealing a severe blow to the company that hoped to beam daily broadcasts for teen-agers into the nation's classrooms.

The action made New York the first state to impose an outright ban on Channel One, a 12-minute news program that includes advertisements for candy bars, acne cream, sneakers and cars.

Strategic Arms Negotiations Resume With Little Hope of a Breakthrough

The Associated Press

GENEVA — U.S.-Soviet talks on cutting long-range nuclear forces reopened Monday after a seven-month recess with few prospects of an early breakthrough.

While Washington reportedly planned to press Moscow over the inspection provisions of a future treaty, both sides have indicated no change in their stands on other major outstanding issues.

The two new chief delegates, Richard R. Burt and Yuri K. Nazarkin, began the 11th round of Geneva talks since March 1985 with a meeting at the U.S. mission.

After the 80-minute session, Mr. Burt said he had outlined the overall approach to arms control of President George Bush, "emphasizing the president's commitment to reducing the risk of nuclear war."

"I hope we will make some progress," he said.

Mr. Nazarkin expressed satisfaction and said, "It was a good start." Without elaborating, he said that Moscow might put forward new proposals "in due time."

Along with the talks on strategic arms, the resumed session will tackle space and military issues.

Detailed negotiations are due to begin Wednesday with a full meeting of both delegations at the Soviet mission. The session is expected to last six weeks.

Shift in U.S. Priorities

Michael R. Gordon of The New York Times reported from Washington.

For the first time since the United States and the Soviet Union began talks on long-range nuclear weapons 20 years ago, the negotiations for an accord to limit strategic arms are not Washington's top arms control priority.

Senior administration officials said in interviews in recent days that the negotiations for an agreement to cut conventional forces in Europe are now the priority for the United States.

The officials added that serious efforts would also be made to seek an agreement to cut long-range strategic nuclear arms.

The emphasis on conventional forces had become apparent in recent weeks. In Brussels last month, President Bush called for the com-

pletion of such an accord within a year. The administration has set no similar timetable for completing a strategic arms agreement.

"We thought it was important to give a push to the conventional arms talks," an administration official said. "The strategic arms talks can go at their own rate."

Administration spokesmen have not publicly acknowledged any change in Washington's arms control priorities, which are already beginning to draw criticism from some supporters.

Some have already complained that the administration is missing an important opportunity to speed up the negotiation of an agreement that was largely completed during the Reagan administration because, they say, the Bush administration is reluctant to face some arms issues at this time.

Administration officials said that the move to reorder U.S. priorities reflected foreign policy considerations, worries over congressional support for some strategic arms programs and a need to carefully review strategic arms issues so that the U.S. negotiating position could eventually be improved.

Soviets May Allow A U.S. University, Senator Predicts

The Associated Press

MOSCOW — An American university similar to those in Beirut and Cairo could open in the Soviet Union as early as next year, organizers of the first U.S.-run summer school lecture course in Moscow said Monday.

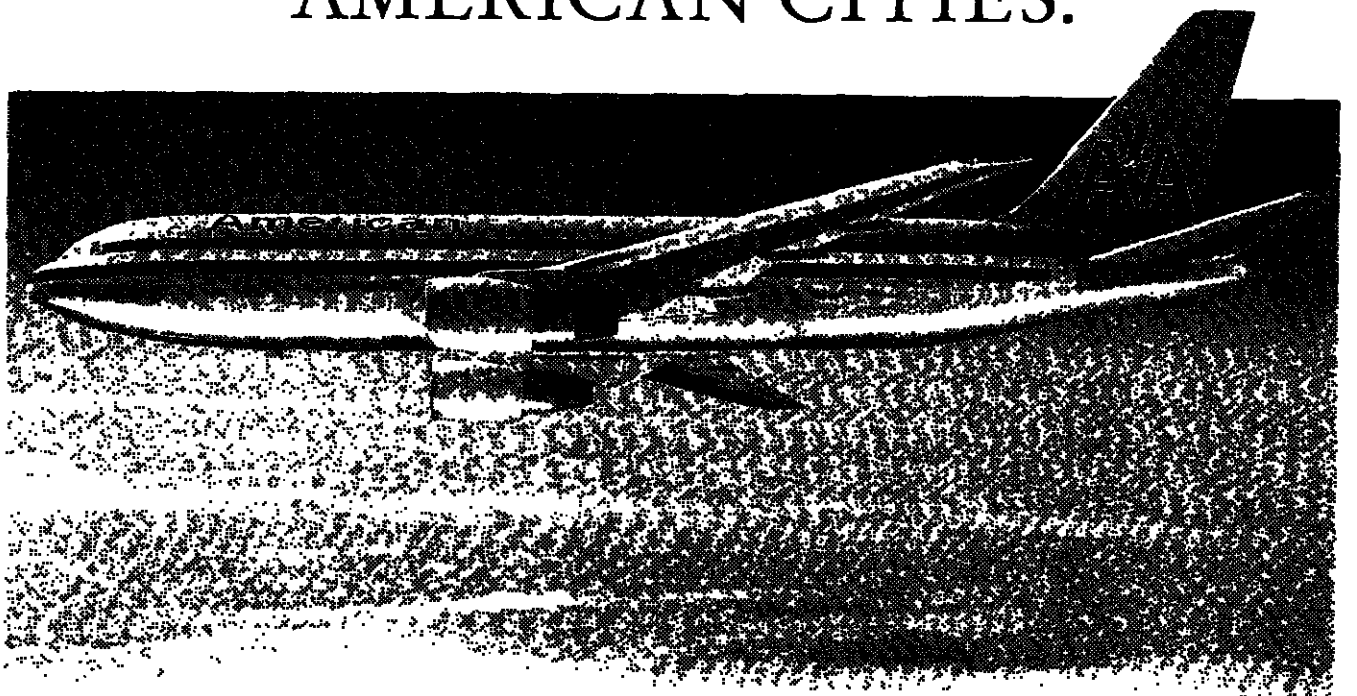
Senator Robert W. Kasten Jr., Republican of Wisconsin, said the lecture seminar by politicians, journalists, economists and artists was the first step toward establishing such a U.S. institution in Moscow.

"We see this as the beginning of an American university in Moscow," the senator said before addressing a group of 100 Soviet intellectuals at the seminar, sponsored by the Soviet Academy of Sciences, the Washington-based Independent University and the American Foreign Policy Council.

Other lecturers at the seminar included Senator Phil Gramm, Republican of Texas, Norman Podhoretz, editor of Commentary magazine, and Frank Shakespeare, U.S. ambassador to the Vatican.

Edward Lozansky, a Soviet émigré and director of the Independent University, said, "If everything goes right, we could begin offering regular courses by 1990."

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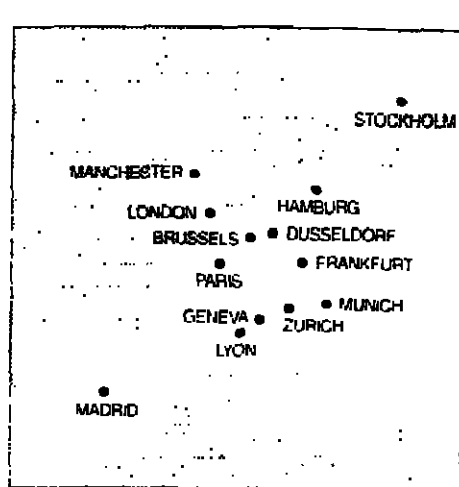
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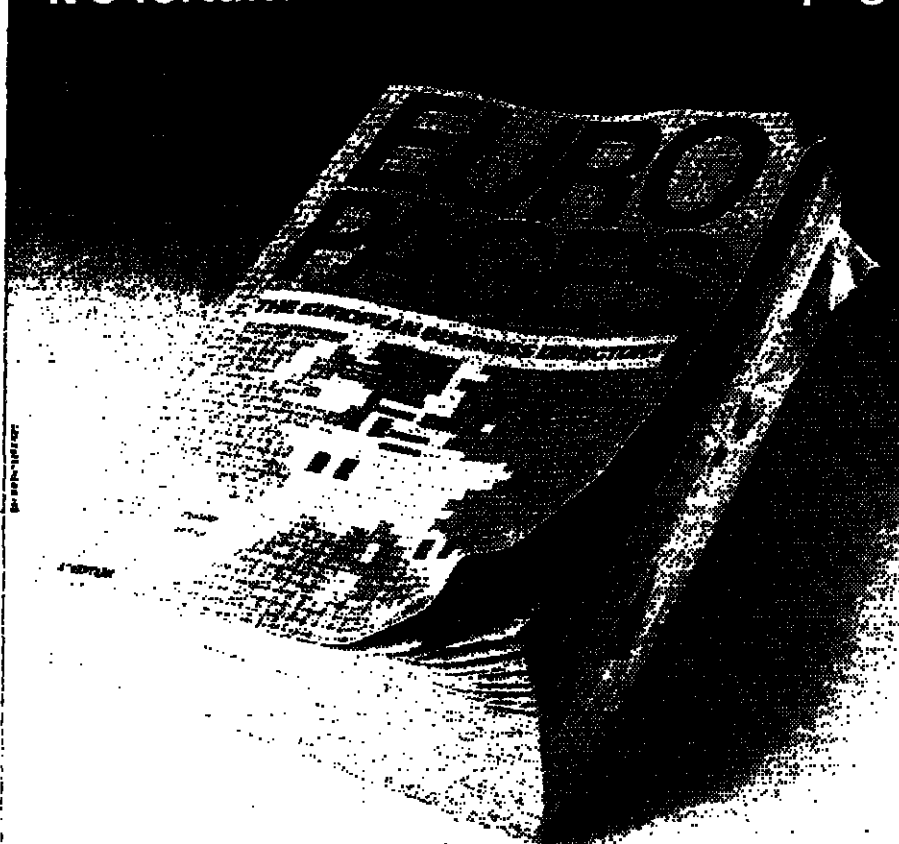
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Time to Finish START

Mikhail Gorbachev is "taking risks for change." That is how Ronald Reagan put it in London. "I believe," he added, "we should take the risk that the Soviets are serious in their desire to reach genuine arms reductions with the West." His advice is timely.

On Monday, American and Soviet negotiators resumed the strategic arms reduction talks in Geneva after a seven-month hiatus. Mr. Gorbachev has persuaded much of the world that he has the fortitude to cut through the knotty issues that remain. George Bush has not, and reportedly, he has decided against offering acceptable compromises, at least for now. That would brake valuable momentum toward a good agreement.

Mr. Gorbachev has taken giant strides to transform the geopolitical landscape. He has established himself as a man of vision and conviction in public consciousness, as well as in Mr. Reagan's judgment. President Bush matched the Soviet leader with his recent proposal on European arms. But he seems to have done little to prepare positions that could resolve the three outstanding START issues.

The Bush administration remains reluctant to challenge the faithful adherents to "star wars." It does not have to. It lacks the votes in Congress to increase funds for "star wars," and Congress rightly will not fund tests that would violate the ABM Treaty. Questions of money and feasibility have led the joint chiefs of staff to reconsider their support. Out of concern that the Soviets would be better positioned to deploy defenses quickly, the chiefs would scrap the Reagan insistence that any agreement on defenses include a unilateral right to deploy.

That leaves President Bush with two sensible options: either reaffirm a strict interpretation of the ABM Treaty, as Moscow desires, or work out specific guidelines for a modest program of permis-

sible testing, which Moscow might accept. On the problem of land-based missile vulnerability and mobile missiles, the cheapest answer is to leave MX in its silos. It is also the worst strategically. Encased in a silo, the 10-warhead MX presents an inviting target, which could intensify the impulse to shoot first in a crisis. The administration proposes to deploy the 30 MX missiles on railroad cars ready to move in the event of crisis. It also plans to build a new single-warhead missile, the Midgeman, which can be truck-mounted.

Whether the United States needs one, both or neither of these missiles is still worth debating. But it seems perverse for Washington to propose banning both Soviet mobile missiles when mobility was an American idea in the first place.

On sea-launched cruise missiles, those armed with nuclear warheads are superfluous and potentially advantageous for Moscow. Soviet SLCMs have easy coastal targets. American SLCMs have no comparable targets and would have to penetrate hundreds of miles of Soviet air defenses to strike targets inland. Prudence dictates proposing a ban on nuclear SLCMs and trying to devise an acceptable way to distinguish the nuclear from the conventional version.

To make these decisions, Mr. Bush has to overcome his political past. He and many of his colleagues first came into senior positions during the Ford administration. They experienced firsthand the successful right-wing attack on détente. It is understandable that they keep looking over their right shoulders.

But Mr. Reagan, the man who led the fight against détente, now stands at their left, trying to encourage them to bring home his treaty. They need to get on with the job. Today, 10 years after SALT-2 was signed, it is time to finish START.

—THE NEW YORK TIMES

The Downside on Trade

While the latest U.S. trade figures are good news, they are not quite as good as they look. The trade deficit dropped significantly in April, the Commerce Department has just announced. But the drop appears to be largely owed to the dollar's rising exchange rate. If that is the case, the recent encouraging decline in the deficit is likely to slow down and even turn into a new rise.

Most of the improvement in April was the result of a drop in imports rather than an increase in exports. When the dollar goes higher it makes imports cheaper, and for a brief time, the number of dollars spent on imports declines. But then people begin to buy more of those cheap imports and the total spending on them goes up again. That may happen in the months ahead.

Many other things will also affect the volume of imports over the rest of this year—above all, the rate at which the American economy grows. But it is a bit early to assume that the American trade deficit is safely committed to a downward track, or that the recent progress is immune to the effects of a high exchange rate.

Pulling that trade deficit down is important because it represents a mounting debt on which Americans have to pay interest. The United States entered the 1980s with a

tremendous accumulation of foreign investments that returned a steady and comfortable stream of income to it. But during the Reagan years, with the rise in U.S. debts abroad, that foreign income has increasingly been offset by the outpouring of profits and interest to foreign investors. Within the past year the net flow to Americans has dropped to zero and become a net flow outward.

American exports have been increasing over the past year, but they are going to have to increase much more. They are going to have to earn enough dollars not only to pay for the country's imports but, in addition, to service those foreign debts. If not, the United States will be in the unfortunate position, like some of the Latin countries, of having to borrow to pay current interest. If that happens, the debts will shoot upward geometrically and Americans will discover, as the Latins have, that the foreign loans begin to have policy conditions attached to them. The country's foreign debts are still small in relation to the size of its economy. But they are getting steadily larger with each month's trade deficit. Americans would be unwise to assume that they are somehow immune from the penalties lenders eventually impose on all debtor nations.

—THE WASHINGTON POST

A Sprinter's Confession

A watching world was stunned last September when Canada's gold medal sprinter, Ben Johnson, tested positive for drugs at the Seoul Olympics.

He insisted then that he had "never ever knowingly" used a banned substance, but now he has confessed that that was a lie.

He had been taking pills and injections for seven years.

Canada swallowed its national pride to search out the facts. In the process, it is uncovering a global disgrace.

An official commission of inquiry, led by a Canadian federal judge, has taken more than eight weeks of testimony so far from athletes, coaches, drug experts and others.

Investigating other sports besides track where drugs are suspected, the commission has made discoveries less widely reported than the sensation in Seoul.

But they reveal a shameful pattern of covert encouragement and overt tolerance.

Mr. Johnson, 27 and recently celebrated as "the world's fastest man," was under much pressure when he took the

stand. His coach, doctor and teammates had already testified to his drug use; the doctor even bragged of his skill in masking the drugs he had administered.

The sprinter confessed completely, hoping to win sympathy from officials who control his future. The International Amateur Athletic Federation has banned him from meets for two years. It will decide in the fall whether to cancel his 1987 world record in the 100-meter dash. Canada's sports minister has banned him for life from representing Canada.

There should be no question about terminating Mr. Johnson's claim to the world record; he does not even deserve an asterisk. The lifetime ban seems unduly severe; it was understandable in the heat of the moment, but unfair unless it is applied to all athletes who break drug rules.

Canada's investigation is a worthy model for all nations, and for all the crassly casual federations that pretend to govern international contests.

—THE NEW YORK TIMES

Other Comment

While Gorbachev Is Around

After 40 years of armed suspense on Europe's East-West border, the Soviet Union is moving its move, led not by tanks but by a tireless and affable gentleman who seems to many in the West as dependable as any of their own statesmen.

The operative word here has to be seems, because President Mikhail Gorbachev still has a lot of promises to keep. He must whittle his Central European army and air force down to size, stop agitating in the Third World and prevent his own country from going bankrupt. Still, he has kept enough promises to be taken seriously. And West Germany did just that last week with welcoming crowds and toasts to a secure mutual future that marked Mr. Gorbachev's visit.

A telling moment came when Mr. Gorbachev, whose most insistent message was that Moscow wants to be part of Europe and of its bright economic future, said of the Berlin Wall that "nothing is eternal." That is not a promise to tear it down, but then no other Soviet leader has ever been caught suggesting that the wall is not forever.

The remark also is a reminder that change may not maintain the momentum of recent months. Centuries of tribal rivalries and decades of more recent ideological divisions of which the wall is one symbol do not disappear just because Mr. Gorbachev wills it to be. It could, indeed, apply to the affable gentleman himself if he loses his way moving toward his own vision of the future. All the more reason to step up the pace of arms control negotiations while the opportunity exists and Moscow's leadership is so willing.

—THE LOS ANGELES TIMES

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China: The Big Lie Is Harder for Some

By Jim Hoagland

BONN — When a journalist asked Mikhail Gorbachev on the fourth day of his visit to West Germany about the massacre of students in China, it was the first and only time the subject was raised with the Soviet leader during his festive sojourn here. Bonn and Moscow had agreed privately that the "troublesome" topic would not be brought up in their government-to-government talks.

Mr. Gorbachev made a coded reference to the understanding when he suggested at his press conference that the Soviet and West German governments had agreed that neither had "full information" on the situation in China. The diplomatic logic of the agreement not to discuss China went something like this:

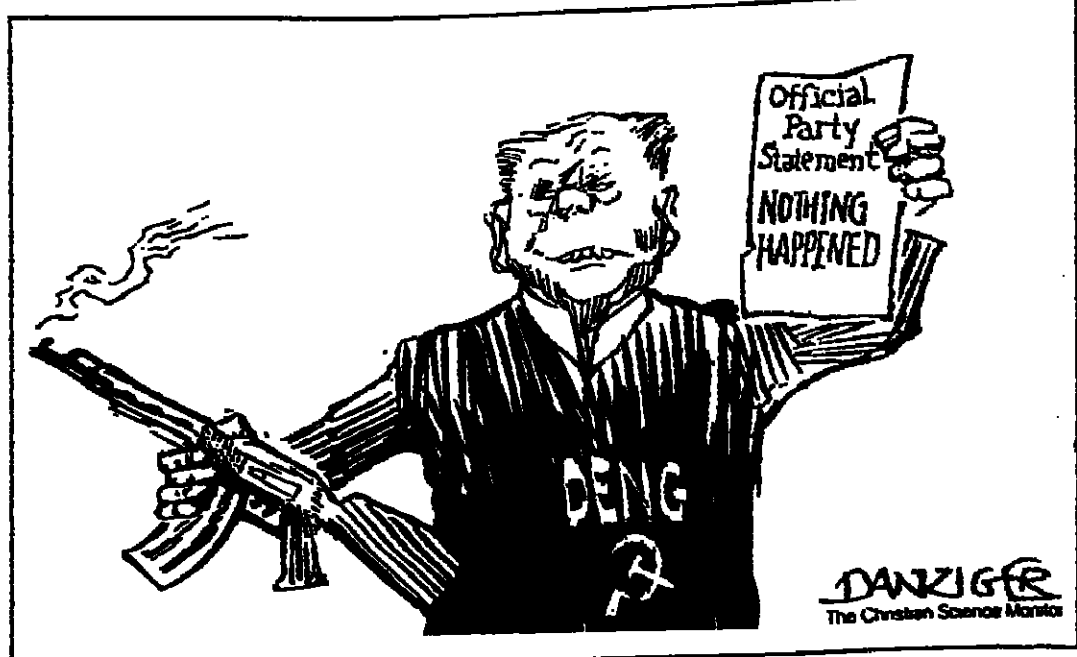
The talks in Bonn could not have much of a direct impact on the situation in China, and the Soviet case that Moscow might be able to produce more through private diplomacy than through joining in criticism from the West had a persuasive ring to the West German government.

Bonn is far from being alone in pursuing such an approach. It is the

kind of "quiet diplomacy" logic that prevailed with President Bush when he failed to protest in public or, as far as is known, in private to Deng Xiaoping in February when police actions prevented the dissident Fang Lizhi from attending a dinner in Beijing hosted by Mr. Bush. Mr. Fang is now a refugee in the U.S. Embassy from a government that now will not even answer Mr. Bush's phone calls.

Mr. Gorbachev, to his credit, did not evade the China question put to him with admirable precision by Jonathan Steele of a British newspaper, The Guardian. The Soviet leader gave a careful but critical assessment of the Chinese government's savage repression of the students, whom he said had wanted dialogue. His actions on China will now be measured against the statement Mr. Steele led him into putting on the record.

Mr. Gorbachev's statement is not likely to change much in China. But one can hope that having had to formulate it for his Western listeners may have some impact on Mr. Gorbachev himself. Western governments and their citizens need to chal-



lenge authoritarian systems and their representatives on every occasion possible, not join them in silence because of "incomplete information."

A few days before listening to Mr. Gorbachev in Bonn, I had raised the subject of China with the East German leader, Erich Honecker, during a conversation in East Berlin. In contrast to Mr. Gorbachev, Mr. Honecker dismissed my description of what I had seen in China and the massacre

that occurred later as lurid exaggeration. The only violence had been directed at government forces by trouble-making students, he assured me.

This response by Mr. Honecker, one of the last surviving Stalinists in Eastern Europe, makes a point that has been slighted in much of the optimistic commentary of the past few weeks about the imminent demise of totalitarian rule in the Communist world and the inevitable victory of

democracy and economic rationalism. The totalitarian mind is a resilient organism. To crush dissent, it depends on its own abilities to deny the obvious and the concrete, as well as the rational, and to compel others to join in that denial, usually through motivations of fear or greed.

Modern technology, hailed a few weeks ago as undermining totalitarian control in Beijing, is now used to consolidate totalitarianism there and to carry out an updated Stalinist purge. The use of television to rewrite or obliterate events that happened only days before and to compel the population to join in mantras for dissidents suggests that in one country at least the Orwellian world of 1984 could not be postponed forever.

Mr. Honecker's pride in and fondness for talking about his regime's ability to produce high-powered computers caused the hairs on my neck to rise in the same way that those frozen, dehumanized scenes shown on Chinese television do. I think that Mr. Honecker genuinely believed what he told me about China. He has trained himself not to ask questions that will get answers that are not useful to his own political and social code.

Somewhere along the line, Mr. Gorbachev failed to close his mind precisely that way. He still has a strong authoritarian streak that surfaces when he is pressed on Soviet dissidents. But in Bonn he seemed to find it difficult to tell the kind of big lies the Chinese leadership and others find easy. Stalinists would see this as a weakness in his character. It is a strength the West should play to by challenging Mr. Gorbachev to approach the truth at every opportunity, rather than pass over "troublesome" topics in silence.

The Washington Post

Their Mistake Was to Challenge the Secular Icons

By Merle Goldman and Marshall I. Goldman

BOSTON — In our first meeting with Fang Lizhi, the Chinese astrophysicist, and his wife, Li Shuxian, we came to understand why they have so enraged Chinese authorities. They refuse to accept not only the dictates of the Communist Party but its very legitimacy. Like a fellow physicist, Andrei Sakharov, and his wife, Yelena Bonner, they held to another set of values—one built around human rights, decency and democracy.

Neither the Fangs nor the Sakharovs have any patience with the excuse that arbitrary state controls are essential in China and the Soviet Union because the masses are not ready for self-rule or democracy. Both couples are iconoclasts in societies where secular icons, decreed at the whims of Communist officials, are not to be challenged.

Why is it, we asked the Fangs, that it is the "hard" scientists and a handful of literary intellectuals, people like Lin Binyan, who are the first to challenge Communist orthodoxy, and not the social scientists, who presumably specialize in such matters? To Fang Lizhi, the answer is simple. As a physicist, he had access to scientific literature from the outside world. He recognized that the official Chinese depiction of science differed from what scientists in other countries accepted. In the same way, he came to question official Chinese descriptions of political, social and economic conditions inside and outside of China. Mr. Fang and his wife were among the first to question not only Mao, but

the entire Communist Party system. To Chinese officials, this made Mr. Fang a troublemaker.

Mr. Fang's ideas and actions surely have had an impact on the democracy movement. In many ways, he served as the inspiration for student demonstrations in December 1986. In the recent protests, however, Mr. Fang consciously kept a low profile.

But he makes a convenient scapegoat. By blaming the troubles on him and a few students, the authorities sidestep charges that poor political leadership and official corruption provoked the protests.

Since the Solidarity movement arose in Poland, nothing has frightened Communist Party authorities in Beijing and Moscow so much as the nightmare that workers may take to the streets to protest economic deprivation and political upheaval. This helps explain why Chinese leaders have called for the Fangs' arrest, though it means inevitable conflict with the United States. President Bush was embarrassed in February when he did not make more of a fuss after Chinese police kept Mr. Fang away from a dinner Mr. Bush gave in Beijing. Providing temporary refuge for Mr. Fang and his wife now helps to compensate for that timidity. Chinese leaders are infuriated by this. It brings memories of the 19th century and extraterritoriality.

when foreign governments set up special enclaves and declared them exempt from Chinese sovereignty.

We cannot necessarily assume today that the Chinese will respect the laws and customs that normally protect foreign diplomats and embassies. During the Boxer Rebellion in 1900, the Chinese besieged foreign embassies for two months. More recently, during the Cultural Revolution, Red Guards torched the British Embassy.

Recent Chinese history has been scarred by periodic shifts between rationality and chaos. The Chinese seemed to be moving closer in the past few years to what the outside world would consider normalcy. Yet, rapid change and accelerated economic growth can be disruptive, whether in China, Iran or the Soviet Union.

That the recent events should be reduced to an assertion by the government that what happened never happened, and to an attack on the U.S. government for sheltering Mr. Fang, is tragic. But it shows how difficult change can be for totalitarian regimes, and how heroic individuals like Mr. Fang can symbolize both bravery and hope.

Merle Goldman is a professor of Chinese history at Boston University. Marshall I. Goldman is a professor of Soviet economics at Wellesley College and associate director of the Russian Research Center at Harvard University. They contributed this comment to the International Herald Tribune.

Berlin's Red and Green: More About Gas Lamps Than Geostrategy

By Flora Lewis

BERLIN — The "Red-Green" coalition will soon complete its first 100 days in power in West Berlin. It is being watched closely because the experiment can determine who wins the next elections in Bonn.

This is traditionally a socialist city, but it surprised everybody when the ruling Christian Democrats lost out early this year. After five weeks of hard negotiations, the Social Democrats formed a government with the amorphous Greens, who run locally as the Alternative List.

It took a document of 136 pages to spell out an agreed program, and some people thought the coalition would not last as many days.

Now the odds are shifting to bet that the local government may complete its four-year term.

It can bring a watershed in German politics at a time when warning East-West relations renew the question of whether Germany and the future of Europe.

A similar Red-Green experiment is going on in Frankfurt, but Berlin has

special importance. It is no longer the "backstage of the West," as it was called when confrontation was at its peak. That role faded after the 1972 four-power agreement that guaranteed Western access.

The day when Soviet and American tanks faced off at the Checkpoint Charlie opening in the wall receded into the dim past. Drama and glamor drained away. The population diminished and aged.

It took all kinds of special efforts for isolated Berlin to keep up the vitality that had sustained it in the days of dire threat. But in the past few years, the trend has reversed. The average age in Berlin is now the youngest of German cities.

The population has grown back to more than two million, fed by migrants from the East. "For a Berlin," says Mayor Walter Momper, "even Hamburg or Munich seem boring now." This is where you find big-city life.

And this is where new politics, or anti-politics, the legacy of the 1968 counterculture, have come to the fore. It is hard to seize, but it gives Berlin a new role.

The Greens are halfway between a party and a movement, not yet sure whether their function is to oppose government even when they have joined it or to change what they can of the way things work.

Different leaders say different things. There is no clear hierarchy of decision. It makes government a lot more difficult, said Mr. Momper, a Social Democrat.

He knows his party's leaders in Bonn feel their hopes of winning power late next year will collapse if the Berlin coalition fails, so he is patient with the endless hassles the Alternative List requires to decide anything.

And leaders of the list know their colleagues in Bonn are developing an appetite to enter a federal government with the socialists.

The Greens tend to be pacifists, anti-NATO, anti-American, anti-industrialist, sometimes anti-Europe, anti-police, anti-automobile, in varying combinations and to varying degrees.

Helmut Lippert, one of their deputies in the Bonn parliament, said that they have outgrown their utopian notions and are moving toward the center, but have not yet gotten that message across to West Germany's allies.

Hans-Christian Ströbele, a power in the Berlin group, says that their acceptance of the Western military establishment here was "only a tactic" to make a local coalition and that they will not give up their demand to pull out of NATO.

He is a trim 50-year-old whose soft-spoken manner belies a militant history. The socialists threw him out of the party for defending German terrorists, and he says he would do it again.

But Berlin politics, he said, "isn't about left and right, it's about the speed limit." There is one stretch of highway, some 4 miles (6 kilometers)

long, in all West Berlin that does not have a speed limit. The Greens demand one. A conservative slogan calls for "Free driving, free citizens."

There is a long list of other limited local issues to rail the coalition.

"If it does fail, it will be about the gas lamp around the corner," Mr. Momper said, meaning the trouble will be local, not some big question.

Just across the wall, East Germany is holding tight to its Stalinist line. Margot Honecker, a Politburo member and wife of the Communist leader, told a convention of school teachers last week that talk of liberalization is anti-socialist. Her government endorsed repression in China.

But the Berlin coalition looks to Mikhail Gorbachev and a new era where it can be a "hinge between East and West," in Mr. Momper's words.

Issues are changing in a time of prosperity and détente. Small ones matter more. That is where the challenge to Chancellor Helmut Kohl comes from.

The New York Times

The Bankers Should Still Be Worrying

By Giles Merritt

DUBROVNIK, Yugoslavia — The international debt crisis is not what it was, but that is little cause for celebration. Through most of the 1980s, it sent shivers down the backs of Western bankers and politicians. Today, few of them worry about it, though the amount owed by 122 developing countries has soared toward a breathtaking \$1.5 trillion. Spectacular growth in the financial operations of major international banks has diluted their exposure to Third World debt. But for debtor nations, there is no relief: They are suffocating under the weight of mounting foreign debt.

There is a net transfer of resources from the poor South to the rich North amounting to over \$30 billion every year," said Julius Nyerere, the former Tanzanian leader. He was speaking here earlier this month to bankers and politicians attending the United Nations-backed World Scientific Banking Meeting. As chairman of the South Commission, which presents Third World views, Mr. Nyerere stressed that the developing countries' problems were worse than ever.

"The countries of the South," he said, "have seen their already very low standards of living decline during the last 10 years, and for the poorest among them there is no realistic prospect of resuming the economic and social advances which they had made earlier. In all except a few countries, malnutrition is increasing as health and education provision declines. Investment is not keeping up with the demand for new jobs, and in some cases it is still negative."

For the North as much as the South, the status quo is not an option. Mr. Nyerere said — high interest rates are causing Third World indebt-

edness to snowball, even as development suffers. "The reality is that developed countries' exports to the South were about \$150 billion less during the three years 1984-86 than they were during the previous three years." Or, put more colorfully, "The poverty of its customers causes the poverty of the shopkeeper."

A search for a new strategy to combine debt relief for the poorest countries and reduced exposure for the more vulnerable commercial banks began in earnest in 1985, when James Baker, then the U.S. Treasury secretary, proposed a \$30 billion plan to restructure Third World debt. But its requirement that commercial banks subscribe \$20 billion of that in new credits has proved a problem.

This spring, Nicholas Brady, the new Treasury secretary, advanced his own approach, making debt reduction its top priority. Making the "Brady initiative" a workable plan has become the focus of those concerned with the debt crisis.

One school of thought holds that dramatic write-offs are needed if the shakiest debtor countries are to return to sound economic growth. Shafiqul Islam of the New York-based Council

on Foreign Relations calculated at the Dubrovnik conference that the nine big American banks most exposed to Third World debt could and should make major write-downs.

He says that instead of the 20 percent debt reduction favored by Mr. Brady, a one-shot 50 percent write-down would be sustainable and more effective. If the banks were allowed to write down their combined \$25 billion loss over five years, their aftertax profits would fall by about 15 percent.

Deviations for attacking the debt mountain are coming at a furious pace. Unrecoverable debts are being reduced, swapped for other assets or even given away by banks as a form of development aid. But if the Brady initiative is ever to become a full-fledged plan, an essential political step is needed. The World Bank and the International Monetary Fund must be given more authority to decide which debtors are neediest, what guarantees should be given to lenders and how risk should be shared between the commercial banks and the governments of the world's rich countries. As it approaches its second decade, the debt crisis needs a mediator.

International Herald Tribune

1992: A Lot More Than Trade Barriers at Stake

By Hobart Rowen

WASHINGTON — Americans make a mistake to think of the "Europe 1992" concept as merely a drive for a single integrated market, better able to compete with Japan and the United States because it will have dropped internal barriers to trade.

After talking to French, English, German, Dutch, Italian and other Europeans in the past few weeks it becomes clearer that for some of its ardent advocates, Europe 1992 is also a crusade for the transformation of Europe into a single cultural and political entity.

Given national pride and conceits, a "transnational European culture" will be years away — if it ever happens. But those dedicated to the 1992 concept think that European unity must go beyond just the "single market."

Helmut Söhler, chief executive officer of Henkel, a Düsseldorf chemicals manufacturer, put it this way: "The business of Europe is more than

business. Literally translated from the old Greek, Europe means "far-looking." So let's not be short-sighted. Europe must have a solid economic base, and the prospects for this are good. It must also have a cultural, social and political perspective."

Jean-Louis Beffa, boss of the French conglomerate Saint-Gobain, sees the transcultural urgency in terms of people: Instead of having various offices scattered around Europe staffed with people of differing nationalities, he envisioned a headquarters based on a truly Europe-wide intermingling. That, he thinks, would shift Saint-Gobain management from a French to a European focus.

Mr. Söhler notes that as cultural unity is sought, some differences inevitably will remain: "Spaniards will stay Spaniards and Germans, Germans, German co-determination," is not the shared union-management relationship, "is not

an export item; German training methods might be. We Europeans have entered a continuous learning process. For this we need the right attitudes: openness, diligence, flexibility."

The biggest Pan-European of them all is Jacques Delors, president of the EC Commission. His ultimate goals include a single European currency and monetary policy run by a single European central bank — plus a European social charter with Europe-wide rules on collective bargaining and union participation in management. All this will not come easily.

Still, Europe today is booming and confident, partly because of a flood of pre-'92 foreign investment. Most political experts believe the single-market concept will succeed. As Sir Leon Brittan, vice president of the EC Commission, put it at a conference in Madrid: "The single European market is not a luxury; it is a necessity."

The Washington Post

100, 75 AND 50 YEARS AGO

1889: Italians in France

ROME — The government was questioned today [June 19] in the Chamber of Deputies with reference to the situation of Italian workmen in France. Mr. Crispi, Italian Prime Minister, said that the ill-feeling between French and Italian workmen was of long standing. The French government was not to blame for the troubles which had broken out in the south of France. "Nevertheless," added Crispi, "despite the proclamation of the principles of 1789, the condition of things in France is beginning to astonish the world."

1914: Mexico Hostilities

NIAGARA FALLS — The American delegates, in a statement in reply to the statement of the Mexican delegates criticizing the American scheme for the establishment of a provisional Government in Mexico with a rebel head, deny that President Wilson had thereby any intent to destroy elector-

OPINION

Stop Undermining Israel's Center

By William Safire

WASHINGTON — Why is Secretary of State James Baker trying to undermine Israel's political center? Consider the political landscape there:

On the dovish left is Labor's Shimon Peres, ready to turn most of the disputed territories over to a front for the PLO tomorrow.

On the hawkish right is the Likud's Ariel Sharon, insistent on an end to violence by the Palestinian *intifada* before any peace talks begin, determined to hold all the territories for Israel's defense.

Astirer of the center of the coalition government, reading from near left to near right, is Defense Minister Yitzhak Rabin of Labor, charged with containing the uprising; the Likud's Prime Minister Yitzhak Shamir, who has put forward his initiative calling for free elections in the West Bank and Gaza to choose local Arab leaders for long-term negotiations; and Foreign Minister Moshe Arens, the Israeli most likely to sign the hoped-for agreements of the 90s.

That's the landscape, now let's see how Mr. Baker has been helping the extremes at the expense of the middle.

First, he humiliated his counterpart, Mr. Shamir, on the Israeli foreign Minister's trip to the United States.

On the eve of their first meeting, Mr. Baker arranged for stories to appear showing himself as refreshingly tough; on the eve of dropping his "no Greater Israel" blast, Mr. Baker gave his counterpart no hint of his intent, thereby showing the Israeli government it would not be forewarned of major Bush administration pronouncements on Middle East policy. These deliberate insults were what diplomats call "suspicion-building measures."

Next came the Baker speech to the American Israel Public Affairs Committee, in which he evenhandedly treated Israel as the moral equivalent of those dictatorships and terrorist groups that have been warring on it for four decades. It was a rebash of the speech John Connally of Texas made just before the end of his political career.

The Baker peace to evenhandedness, hailed by Arabists, has been criticized by Israel's supporters as harsh, devoid of the long-standing principled American tilt toward democratic allies.

But such insensitivity is not the only problem; the pragmatic effect of the Baker speech was to undermine Israel's center and give the charismatic Mr. Sharon a big political boost.

Mr. Sharon, who has many hard-line supporters, chafes at having been bypassed in the Likud leadership; his bipolar clock is ticking. Shrewdly, he has seized on the automatic way Mr. Baker has imposed his territorial decision on Israel, combining that resentment with the frustration many Israelis feel at the inability of the government to end the

smoldering revolt in the territories. As a result, Mr. Shamir and Mr. Arens go into the big Likud central committee meeting in two weeks facing a growing challenge on their right.

Mr. Sharon will scornfully cite the inflammatory Baker phrase, "no Greater Israel," and charge that the government's

Israel undercuts its own envoy in Washington just as Baker undercuts the Israeli government.

offer of elections to permit Arab autonomy guarantees American pressure for Arab sovereignty. This argument could reshuffle the political deck and bring a demand for "all quiet" before elections.

Such a roadblock cannot be Mr. Baker's desire. And if he thought that dumping on Israel would win PLO support for free elections, he was promptly let down: aging Tunis terrorists do not want power

to pass to young local Palestinians, and their answer to the Shamir election plan has been to kill Arabs who "collaborate."

Does Mr. Baker harbor some hope for a split in Likud that would bring about a malleable Peres Labor government?

His lieutenants at the Greater State Department (which has annexed some White House staff and has settlements at the Pentagon) huddled at great length last week with Vladimir Tarasov, Mikhail Gorbachev's Middle East expert; Mr. Tarasov has long been tight with Nimrod Novick, Mr. Peres's closest political aide.

Pettiness runs both ways: because Mr. Peres wants Mr. Novick to be ambassador to the United Nations, he has approved Mr. Shamir's choice of Ehud Olmert to be envoy to Washington, but Mr. Olmert — citing the long-ago example of Britain's Lord Halifax — won't come unless he gets to keep his cabinet post. So Israel undercuts its own ambassador in Washington just as the State Department undercuts the government in Jerusalem.

The stakes are too big for this kind of stuff. One should not wistfully assume that the center cannot hold; in Israel it can.

James Baker should stop undermining the Shamir-Rabin-Arens team and start supporting it.

The New York Times.

Ethics in Congress: The Crocodile Tears Blur a Bitter Struggle for Power

By Kevin Phillips

WASHINGTON — The ethics mess embroiling Washington is not about integrity. It is a potential — but reversible — civil war between Republicans and Democrats to solve a question left unanswered by 20 years of national elections: Who is running the federal government?

With the potential stakes so high in today's conflicts, it will not be easy for either side to back down. And that is how some of history's bloodiest wars started: mobilization provoked countermobilization, and nobody was willing to retreat.

When George Bush's term ends in 1993, the Republicans will have controlled the White House for 20 of the last 24 years and 28 of the preceding 40. At the other end of Pennsylvania Avenue, Democrats will have controlled the Senate for 32 years out of 40, and the House for 38 of the last 40.

This cleavage frustrates them in both parties, and the leap that frustration took in the 1988 presidential campaign laid the groundwork for 1989 acrimony. Democrats, who saw Republicans destroy Michael Dukakis's 17-point lead in the polls with better organization and a more professional strategy — to say nothing of Lee Atwater's vaunted dirty campaign tactics — began to wonder how they could ever win the White House.

The Republicans again saw Democrats hold lopsided control in both houses of Congress, despite Mr. Bush's victory. In despair of ever winning the House, they began hypothesizing a new and dark excuse: Dishonest congressional Democrats had become entrenched through gerrymandering at the state level and "institutionalized corrup-

tion" to extort campaign funds in Washington.

This is the real-world context of the capitol's crocodile tears over ethics. Senior Republican strategists, including Mr. Atwater, the Republican floor leader in the House, Newt Gingrich; and the national Republican congressional committee co-chairman, Edward Rollins, have laid out a blueprint for winning control of the House. They focus not on economic programs or philosophical issues but on drowning Democratic congressmen in dirt.

The resignation of the former House speaker, Jim Wright, was a milestone, but even earlier this year, Mr. Atwater established a special \$1 million "opposition research" unit under Mark Goodin, with 40 researchers and investigators assigned to collect damaging information on hundreds more Democratic congressional incumbents and candidates. But Mr. Goodin was the official forced to resign early this month. He had to take responsibility for the Republican National Committee memo talking about Thomas Foley, the new House majority leader, "coming out of the liberal closet."

Democrats also mix hypocrisy with ethical bluster. One central reason for Democrats not confirming John Tower as defense secretary was to show Mr. Bush's ineffectiveness by making him the first newly elected president to have a cabinet nominee rejected by Congress. And Democratic desire to campaignize Mr. Wright's ethics problems with an inquiry on Mr. Gingrich was a transparent ploy. The Democrats have their own political interest in

using their congressional leverage to display the ineffectiveness, corruption or deceit of the executive branch. Three areas now seem to head the list. First, there is the Iran-contra matter. Polls taken after the trial of Oliver North indicated that 60 to 65 percent of Americans feel Mr. Bush has not told the truth about his involvement. Senate Democrats, anxious to slash at this potentially serious Republican Achilles' heel, have been holding up White House nominations to force further disclosure.

Second, the Democratic-controlled House Government Operations Committee, which is investigating corruption in U.S. housing programs — may have its hand on a Pandora's box of payoffs to influential Republicans and their constituents.

Finally, Democratic House members, while withdrawing their insistence that Mr. Bush fire Mr. Atwater as party chairman or forfeit bipartisan support, say they will renew demands for Mr. Atwater's head if the national party organization repeats tactics such as those used against Mr. Foley.

Mr. Bush and Mr. Foley are working to stop the growing conflict before it escalates. But it is easy to see why activists among congressional Republicans disagree — as do Democratic stalwarts anxious to soften up the White House so they can recapture it.

Spotlighting eight or 10 Democratic congressmen with ethical vulnerabilities is not likely to yield much — because Democrats will come up with six or eight similarly situated Republicans. Nor will popular individual Democratic House members be defeated by Congress's broad disrepute. Yet if the Republicans can further besmirch

the House of Representatives as an institution, then some senior members — especially Democrats — might retire, creating the open seats Republican strategists want.

In addition, the Republican attack strategy and the resignations of Mr. Wright and the Democratic floor leader, Tony Coelho, have thrown the House into legislative and policy-making disarray, reducing the Democrats' ability to take advantage of the public's increasing sympathy for liberal positions on issues ranging from taxation and national health insurance to the environment. If the balance of individual scandal defeats in the 1990 elections should favor the Republicans by 2 to 4 seats, the overall benefit of a 1989-90 Republican "attack" strategy could be 12 House seats — conceivably the difference between losing in 1990 and gaining.

For Democratic hard-liners, tactics that embarrass Mr. Bush or further link him to the Iran-contra role he denies could pay a big dividend in helping the Democrats win back the presidency in 1992.

Neither side is genuinely preoccupied with ethics or scandals: The basic frustration has to do with power and increasingly intolerable institutional limitations. The Democrats may not be able to win the Oval Office without eroding the reputation that Republican presidents have for the ability to govern. And the Republicans may not be able to win Congress without first half-destroying it.

The writer is the publisher of *American Political Report and Business and Public Affairs* fortnightly. He contributed this to the *Los Angeles Times*.

what the boss says without question, even if it is stupid, irrelevant or even incorrect. While this does not spark creativity or lead to dramatic innovations, it can be a key to continued employment and enhanced promotion prospects.

Professors' office hours provide useful insights. The near impossibility of finding professors, even during their rare posted office hours, teaches students that commitments need not be kept. And once professors finally are cornered, students learn to perfect essential job skills: knowing and buttering-up techniques as ways to manipulate others.

College clearly confirms students' budding suspicions that the world is unfair. Ambiguous, poorly conceived assignments by teachers get reflected in lower student grades, not lower teacher salaries.

Arbitrary, subjective grading, often based on agreement with the ideological biases of the professor, teaches students that it is dangerous to express what they really feel or to challenge others to defend their assertions, and that telling people what they want to hear is frequently more successful.

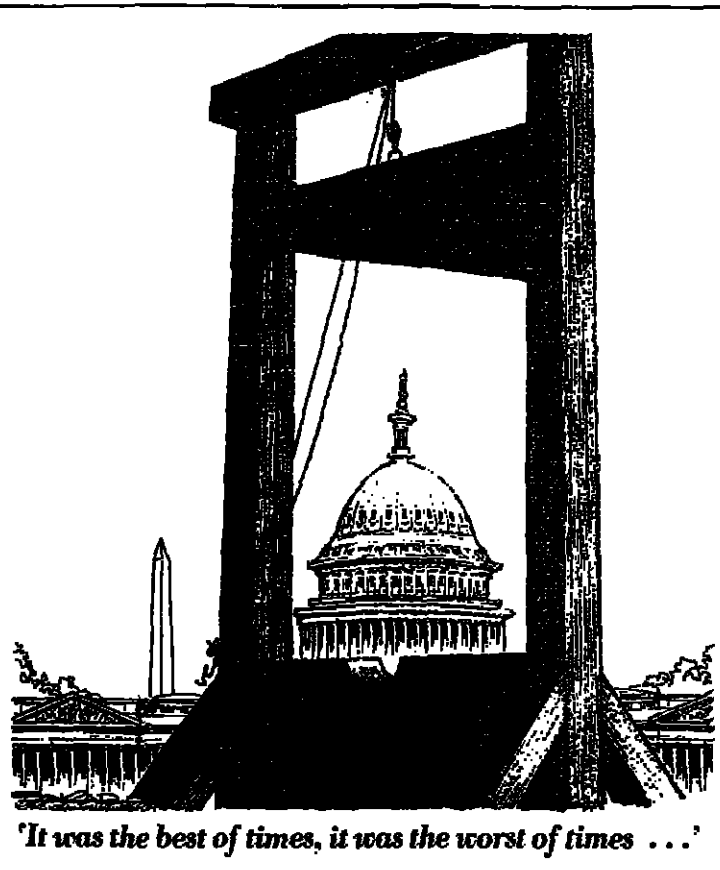
Minimal attention to monitoring papers and exams encourages cheating in its many forms (from the ubiquitous fraternity exam-and-paper file to stealing exams or buying papers), and teaches a practical ethic of cutting corners whenever one can get away with it.

Group assignments, ostensibly intended to teach teamwork, often teach something far different. Students learn effective ways to shirk. They learn to procrastinate, in hopes of getting someone else to do their work as the deadline approaches. They learn to avoid responsibility for their own work and to concentrate on getting into the "good" groups.

The curriculum aside, perhaps the most valuable lesson students learn is how to negotiate their way through bureaucratic mazes. In four years you can master preregistration, parking permits, financial aid forms, major and general education requirements, course schedules, add-and-drop policies and dormitory preference forms, not even the most formidable business bureaucracy can intimidate you.

Given these valuable but unappreciated lessons that America's colleges and universities provide, criticism that they don't teach enough is too harsh. Perhaps a better criticism might be that they teach too many lessons from their shortcomings and too few from their curriculum.

The writer, an assistant professor of economics at Pepperdine University, contributed this comment to *The New York Times*.



A College Should Advertise The Curriculum's Flip Side

By Gary M. Galles

MALIBU, California — In heated discussions about what students do and don't learn in school, people mistakenly restrict their attention to the curriculum. But much of what is learned has less to do with the intellectual training touted by academia than with the unadvertised skills (often snobbishly undervalued by professors) that are learned during that training.

One almost universally derided skill that is perfected in college is cramming.

MEANWHILE

This is properly criticized as a way of trying to look good academically without long-term retention of the material, but it also teaches valuable job skills.

It teaches crisis management by making every approaching finals week a crisis. It trains students to perform despite deprivation of sleep — an invaluable preparation for the all-nighters that will be put in for rush reports.

Students also learn from dealing with professors who hold absolute power over their fate. They learn to do or regurgitate

LETTERS TO THE EDITOR

A U.S. 'Guest' and Hopes for Democracy in China

I applaud William Safire's characterization of Fang Lizhi as a "hero" and "houseguest" of America (*"Fang Lizhi: The Houseguest Is a Hero," Opinion, June 13*). As an American diplomat, it gives me great pride that a courageous spokesman for freedom would turn to the U.S. Embassy in Beijing for aid and succor when pursued by ruthless men intent on ending legitimate dissent with the barrel of a gun.

Mr. Safire's opinion column gave a reason to hope that one day our grandchildren, and those of the Chinese, will be studying the demise of totalitarianism at the hands of young men and women who dared to be great.

MARK E. MORETTI, Tunis.

May the U.S. government have the courage to shelter Fang Lizhi and provide him a platform until the leaders of the People's Republic of China acknowledge the terrible errors of the past fortnight and allow the ideas of Mr. Fang and others to be heard and debated freely throughout China.

CHRIS QUIGG, Oakland, California.

We, the undersigned — six Chinese students currently at Oxford University — renounce our membership in the Chinese Communist Party. We do this because the Li Peng government has chosen to disregard the right of our people to determine their future. We do this because it has chosen to suppress the Chinese people with the arms and soldiers of the People's Liberation Army in order to protect the privileges of a minority.

We do this to express our disgust at the government for turning its back both on the people and on this historic opportunity for reform.

We do this to express our fervent hope that the Chinese people will not give up their struggle for a democratic future.

CHEN LING, QIN CAIDONG, ZHANG DELIANG, LI LEI, YANG MU, CHEN JIAN, Oxford, England.

To protect human rights and a responsibility of the United Nations, China, a permanent member of the UN Security Council, should not be allowed to get away under the excuse of this being an "internal matter."

SWAMI YOGA ANAND, Paris.

The suppression of the pro-democracy movement in China shows that political, social or economic reforms generated by the leaders of Communist countries are fragile. Small doses of democracy injected into a one-party regime can be easily swept away. Only a radical change in the structure of state power, leading to genuine political pluralism, could render such reforms irreversible.

JOSEF GOLDBLAT, Geneva.

The world is witnessing the last convulsions of a dying beast.

Communism, as a political option, will not survive the year 2000. FRANCESCO BONGIOVANNI, Hong Kong.

M. André (*Letters, June 8*) asked whether the Western media may not have been as much to blame for the massacre as "rulers who try to maintain order (even if it is not our order)." He may wish to reflect on his good fortune in living in France, where he can safely counsel the Chinese on the advisability of forging freedom of expression.

PETER EBERLY, Taipei.

Contrary to the general perception, the recent horrific events in China have done little to undermine the confidence of Hong Kong residents in the 1984 Chinese-British agreement. Most never had any confidence in it to start with. They already understood well enough how Communist governments deal with their populations.

The campaign of the British government to convince the people of Hong Kong that there is nothing to

worry about when the colony is given over to Beijing's control in 1997 now appears as little less than an act of deliberate deception or gross incompetence, or both. Britain bears a grievous burden of responsibility for the continuing safety of a large, defenseless population.

DAVID FOULDS, Hong Kong.

Thank you for your magnificent coverage of the events in Beijing. I was saddened by William Safire's evocation of Lincoln's phrase, that these young students "have not died in vain." The dead on Tiananmen Square are the seeds from which the harvest of democracy will be gathered in the China of the future.

YU-TANG D. LEW, Taipei.

President John Kennedy told my father's generation that to be able to say "I am a Berliner" was a badge of honor. To my generation in these times there can be no prouder claim than to declare, "I am a Beijinger."

DAVID LAIT, Ottawa.

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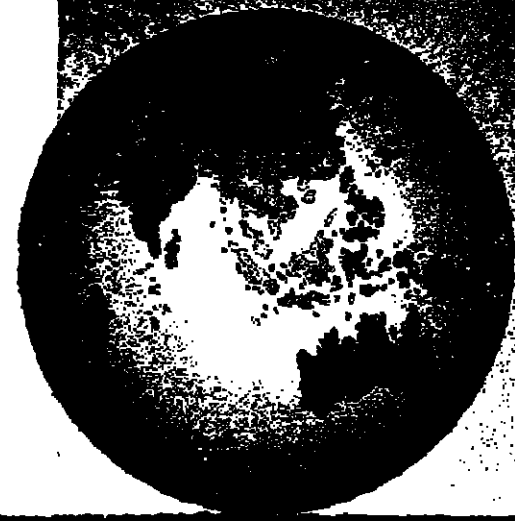
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THE NEW EUROPEAN PARLIAMENT: As the community prepares for the post-1992 market, voting results show no sense of direction.

A Breakdown by Country

Belgium: Voters Back Anti-Immigrant Party

The Vlaams Blok, an anti-immigrant Flemish state, more than trebled its share of the vote to just over 4 percent to win one of the 24 seats allotted to Belgium.

The governing Christian Democrats won 7 seats, a gain of 1, while the Socialists lost a seat, dropping to 8. Liberal Democrats won 4 seats, as did two Green parties, the French Ecolo and the Flemish Agalev. (Reuters)

Britain: Labor Party Upsets Conservatives

The Conservative Party of Prime Minister Margaret Thatcher lost at least 11 of Britain's 81 seats to the opposition Labor Party. Computers forecast that the final tally would be 45 seats for Labor to 32 for the Conservatives, an exact reversal of the previous situation.

The Greens won 15 percent of the vote but did not take a single seat due to the winner-takes-all system in Britain, the only EC country not to have proportional representation. The Scottish National Party won 1 seat, as did the Ulster Unionists, and the Reverend Ian Paisley, the radical Northern Irish Protestant, was elected. (Reuters)

Denmark: An Advance By Social Democrats

The Social Democrats, the biggest party, gained a seat and will hold 4 of the 16 filled by Denmark. The Conservatives of Prime Minister Poul Schlüter, who campaigned on domestic tax issues, lost 2 of their 4 seats.

The Liberals won 3, picking up a seat, and the Center Democrats doubled their strength to 2. The People's Movement Against the EC held on to 4 seats, while the anti-EC Socialist People's Party lost 1 of its 2 mandates. (AP)

France: Giscard Sinks Outpools the Socialists

The governing Socialists came second to a center-right list led by Valéry Giscard d'Estaing, the former president who marked his return to French politics by capturing 26 of the country's 81 seats.

While they improved on their showing in 1984, the Socialists garnered just 22 seats in what was seen as a personal setback for the former prime minister Laurent Fabius, who headed the list. The extreme-right National Front captured 10 seats, followed

by the Greens, who will enter the Parliament for the first time with 9. Centrist parties took 7, as did the Communists. (Reuters)

West Germany: Rise Of the Extreme Right

The ultraright Republican Party entered the European Parliament for the first time with 6 of West Germany's 81 seats.

The Christian Democratic Union of Chancellor Helmut Kohl and its Bavarian sister party, the Christian Social Union, together lost 8 seats and emerged with 31. But the Free Democrats, partners in the government coalition, will re-enter the parliament after a five-year absence with 4 seats.

The Social Democrats dropped 2 seats for a total of 30. (AP)

Luxembourg: Parties Retain Their Share

The three main political parties kept their previous share-out of Luxembourg's 6 seats in the European Parliament, with the Christian Social Party retaining 3, the Socialists 2, and the opposition Democrats 1.

But in a general election contested simultaneously, the main parties each lost 3 seats. The Christian Social Party emerged from the battle for the 60 seats at stake in the Chamber of Deputies with 22, the Socialists with 18, and the Democrats with 11. The Greens and a new party demanding better pension rights scooped 8 seats between them. (Reuters)

Italy: Communist Gain Confirms No. 2 Spot

The Communist Party reversed its electoral decline and confirmed itself as the No. 2 force in Italian politics, taking 22 of the country's 81 seats.

The governing Christian Democrats slipped slightly from previous elections, but emerged as the strongest party with 28 seats. The Socialists achieved slight gains to win 14 seats, while two rival Green parties won 7 seats, allowing them to make their debut in the parliament. (AP)

Ireland: Fianna Fail Registers Sharp Drop

Projections showed that the strength of the Fianna Fail party of Prime Minister Charles J. Haughey would decline to 5 European Parliament seats from 8. Its main domestic rival, the center-right Fine Gael party, may also drop 2 of its 6 seats.

There were final results for

only 5 of 15 seats, and winners straddled the political spectrum. A seat went to Fianna Fail, Fine Gael, the leftist Workers' Party, the Labor Party and the Progressive Democrats. (Reuters)

Spain: Socialists Lose Seat but Keep the Lead

The governing Socialist Workers' Party lost a seat but marginally improved its share of the vote to remain by far the largest party with 27 of Spain's 60 seats.

After months of simmering unrest over the government's wage restraint policies, the General Union of Workers did not endorse the Socialist list for the first time this century.

The Communists won 4, a gain of 1, while the conservative Popular Party and centrist Social and Democratic Center lost 4 seats but emerged with 20. (Reuters)

Greece: Conservatives Overtake Papandreou

With about 50 percent of the ballots counted, the conservative New Democracy Party appeared to hold 10 of the 24 seats allotted to Greece.

The Panhellenic Socialist Movement of Prime Minister Andreas Papandreou emerged with 9 seats, while the Coalition of the Left and Progress won 4. The final seat went to Democratic Renewal, a conservative splinter group. (AP)

Netherlands: Labor Falls to Predominate

The Christian Democrats of Prime Minister Ruud Lubbers won 10 seats, clouding the hopes of the opposition Labor Party for victory in national elections in September.

In the first big electoral test for the Labor leader, Wim Kok, the party won 8 of the Netherlands' 25 seats. The Greens won 2 seats, doubling their previous score, while liberals took 3 seats and independents won 2. (Reuters)

Portugal: Loss Marked By Social Democrats

The governing Social Democrats lost 1 of their 10 seats in elections ignored by half the voters.

Provisional returns also gave the Socialists 7 of Portugal's 24 deputies and the Communist-led United Democratic Coalition 3. But both parties seem certain to gain a seat each when the final vote is announced next week, and Portugal was also expected to have a Green deputy. (Reuters)

EUROPE: A Swing to Left

(Continued from page 1)

the leftward trend was not reflected everywhere.

The center-right defeated the ruling Socialists in Greece, largely because of the taint of scandal sticking to the government of Prime Minister Andreas Papandreou.

The governing Socialists in France came off a bad second with only 23.7 percent of the vote, as former President Valéry Giscard d'Estaing returned to the political limelight by leading a center-right list that won 28.8 percent.

The extreme right, led by Jean-Marie Le Pen of France, increased its number of seats to 22 from 16 on the strength of the success of the xenophobic Republican Party in West Germany — a reminder of that country's "recent evil past," according to Heinz Galinski, leader of the Jewish community.

The vote was seen as marking a serious setback for Chancellor Helmut Kohl, who faces federal elections next year.

The biggest winner in the Parliament was the so-called Rainbow Coalition, a loose grouping of environmentalist parties from nine countries, which almost doubled its share of seats to 39 from 20. The Greens would have done even better had it not been for Britain's winner-takes-all political system.

This meant that although the British environmentalists won 15 percent of the vote, they won not a single seat.

Wilfried Telkämper, chairman of the West German Greens, said his party would aim to ensure that increased economic growth resulting from the single market would not come at the cost of the environment or workers' rights.

The Socialists remained the largest group in the assembly, with 181 seats, up from 166 in the last Parliament.

The new Parliament's first business when it convenes July 25 in Strasbourg, France, will be to elect a successor to Lord Plumb of Britain as its president.

Parliamentary sources named the most likely contender as Fernando Morán, a former foreign minister of Spain. Other possible challengers are Mr. Giscard d'Estaing and Leo Tindemans, the outgoing foreign minister of Belgium.

Poland Bars a Soviet Train

WARSAW — Polish officials turned back a train at the Soviet border at the weekend because its cargo of lethal yellow phosphorus gas was leaking, the Warsaw radio said Monday.

In Pan-European Vote, a National Focus

By Reginald Dale
International Herald Tribune

PARIS — Voting in 12 West European countries has failed to inject a decisive sense of political direction — or great new enthusiasm — into the run-up to the European Community's post-1992 single market, analysts and European officials said Monday.

The most striking aspects of the elections to the European Parliament, held in all the EC member states on Thursday and Sunday, were the low turnout and the focus on national rather than Europe-wide issues, most analysts said.

With gains in a number of countries by Socialists and environmentalist Greens, some saw the beginnings of a reversal for the conservative philosophies, particularly in economics, that have flourished in much of Western Europe in recent years.

That was the view of Jacques Delors, president of the European Commission, a French Socialist who has frequently crossed swords with Britain's Conservative prime minister, Margaret Thatcher, one of the poll's main losers.

"At the start of the 1970s, after 20 years of almost total triumph for social democracy, the neo-liberal movement emerged in economic policy," Mr. Delors said. "Now there is a sort of backfire and the balance is being redressed."

Many others, and particularly the losers, did not want to draw such sweeping conclusions from a poll in which only 56 percent turned out to vote, the lowest figure of the three direct elections — in 1979, 1984 and this year — that have so far been held for the Strasbourg-based Parliament.

In addition, voting in many places appeared to reflect dissatisfaction with national governments, as in the three countries where simultaneous national elections were held — Greece, Ireland and Luxembourg — rather than overriding conceptual views about the political future of Europe.

"In most, if not all countries, these elections were far more about national policies and governments than about European politics," said a European Parliament official. "But in most countries there was obviously less incentive to vote than in a national election because they were not electing a national government."

European officials concede that most voters are unaware of the details of the complicated political balance between the EC institutions, under which the once purely consultative European Parliament has gradually gained more influence over EC policies, particularly in the last two years.



Hans-Jochen Vogel, the West German Social Democratic leader, commenting on the elections.

They had hoped, however, that the public would pay particular attention to this year's vote, the last before the end of 1992 date for the launching of the EC's single market. More than any of their predecessors, the European Parliamentarians elected over the last few days will be in a position to shape the direction of the EC's groping moves towards economic and political union.

French commentators, among others, suggested that the voters had generally chosen the middle ground in "European-ness," showing coolness both toward politicians who were particularly enthusiastic about the European institutions and toward those who

were strongly against more central control at European level.

Thus, both Simone Veil, the very "pro-European" centrist candidate in France, and the "anti-European" Mrs. Thatcher in Britain, fared poorly, they argued.

Other analysts suggested that there was not much reason for voters to be particularly enthusiastic about a united Europe when the EC's political leaders had recently shown such considerable public disunity over how to deal with Iran, China and the Soviet Union.

In Brussels, some detected evidence of unease over 1992 in the surge of support for extreme rightist parties in West Germany and Belgium and a solid showing by their colleagues in France.

"Distrust and fear are dominating optimism and hope," said Ferdinand Herman, a Belgian Christian Democrat member of the European Parliament.

Others saw the success of the Greens and socialists as reflecting a lack of enthusiasm for the business and growth-oriented attitudes that many Europeans now appear to be associating with the 1992 drive.

Both groups, some Brussels officials said, could try to push the Parliament away from the deregulatory approach that has hitherto generally characterized plans for the single market, and reinforce some of the more protectionist tendencies that have recently been visible in Strasbourg.

Voters Give Thatcher a Jolt

She Loses Her Aura of Invincibility as Labor Gains

By Craig R. Whitney
New York Times Service

LONDON — Though the opposition Labor Party has taken Prime Minister Margaret Thatcher down a peg by winning 45 seats to 32 for the Conservatives in the European Parliament elections, it still has a long way to go to unseat her in Westminster.

Many newspapers in Britain and the leader of the Labor Party, Neil Kinnock, described the complete reversal of the Conservative and Unionist Party majority in the 81-member British delegation in apocalyptic terms Monday.

Mrs. Thatcher said Monday that the European result was disappointing. But in its most important

NEWS ANALYSIS

effects, on the political atmosphere in Britain, it was worse than that: Mrs. Thatcher's aura of invincibility was gone.

Even some of Mrs. Thatcher's staunchest supporters, like the conservative Sunday Telegraph newspaper, blamed her for the defeat. The newspaper said in an editorial Sunday that Mrs. Thatcher had committed "a major blunder" by leading the public to associate her, and her party, with anti-Europeanism.

"Perhaps what is most worrying about Mrs. Thatcher is the impression she is increasingly giving of believing herself to be infallible, as much abroad as at home," said the editor, Peregrine Worsthorne.

Several defeated Conservative candidates blamed Mrs. Thatcher's uncompromising opposition to the European political and monetary union for the first countrywide defeat of her party since she led it to power in May 1979.

The embarrassment will not help Mrs. Thatcher next week at the summit of European Community leaders in Madrid, where she will be isolated in opposing a three-stage blueprint for monetary union and a European social charter of workers' rights. She has denounced both proposals as bureaucratic intrusions on national sovereignty, but most of the other Common Market leaders are in favor of them.

And things look no better at home, where six months ago, Mrs. Thatcher seemed almost unbeatable and Mr. Kinnock almost unelectable. Since then, the inflation rate in Britain has increased to 8.3 percent, and Mrs. Thatcher has disagreed with suggestions that joining the European Monetary System would help bring inflation down.

Mr. Kinnock got generally high marks for the way he maneuvered. He wanted the European election to be a referendum on Mrs. Thatcher's domestic performance, while his new proposals for the Labor Party platform were still fresh in the voters' minds.

Mr. Kinnock can use the victory in his continuing battle with his own left wing, which will try to defeat the new platform at the party conference in October. The new platform would abandon Labor's commitment to unilateral nuclear disarmament and the nationalization of British industry.

Mrs. Thatcher's advisers pointed out that only about 36 percent of British voters cast ballots on Thursday.

The foreign secretary, Sir Geoffrey Howe, said, "It's not so surprising that you can get a protest vote in a national by-election. It's on a modest scale."

And British officials noted that voters in Spain, West Germany and France also used the occasion to send a message of discontent to their governing parties.

But support for the two center-left parties that had attracted Labor voters repelled by the leftward drift of their party in the 1970s virtually collapsed. Between them, the Social Democrats and the Social and Liberal Democrats polled only 7 percent of the vote.

They were beaten in almost every constituency by the Green Party, which got 15 percent of the vote. In the last European elections five years ago, the Greens barely registered.

Because the Greens did not win the largest share of the vote in any of the 78 British constituencies outside of Northern Ireland, they did not win a single seat, but 2.3 million persons voted for them nationwide. One seat in Scotland was retained by the Scottish Nationalist Party.

Mrs. Thatcher began campaigning on the environment late last year, but she also had a way to go to convince the electorate that voting Conservative was the best way to register concern for the environment.

The foreign secretary-in-waiting of the Labor Party, Gerald Kaufman, was also worried, saying that, most voters probably did not know that the Greens stood for scrapping all nuclear weapons, quitting the NATO alliance and halting industrial growth, for instance.

"It's a shake-up in politics," a Green Party spokesman said. "Environmental problems will not go away."

Armed Youths Go On a Rampage, Causing Deaths in Soviet Kazakhstan

By Esther B. Fein
New York Times Service

MOSCOW — Armed youths, apparently distressed by economic hardships in their region, went on a deadly rampage in the Central Asian republic of Kazakhstan, in the latest eruption of violence in the southern Soviet republics.

The official news agency Tass said Monday that young men carrying firearms, Molotov cocktails, iron bars and stones rioted in the western city of Novi Uzen on Friday, causing an unspecified number of deaths.

The young people tried to seize a police station, a water supply station and other "vital facilities," and succeeded in halting public transportation and shutting down shops and industrial enterprises, the report said.

There was no explanation for the lag in reporting the deaths. Tass said that the unrest in Novi Uzen was at first brought under control but later flared up anew. It was

unclear from the report precisely when the killings occurred.

News of the latest violent casualties coincided with an announcement by officials that they had completed the airlifting of more than 16,000 Meskhetians out of the Central Asian republic of Uzbekistan. More than 100 people have died in the republic this month in vicious attacks by marauding young Uzbeks against the Meskhetians, a Turkic minority group.

On Monday, for the second day running, more than 100 Meskhetians crowded into the reception hall of the Presidium of the Supreme Soviet, the highest state body, demanding to be allowed to return to the enclave in southern Georgia from which Stalin deported them in 1944.

Kazakhstan borders on Uzbekistan, and some Meskhetians fled there to friends and relatives.

But the Guryev region, where the rampage took place, is in the western part of Kazakhstan, thousands

of kilometers from Uzbekistan's turbulent Fergana Valley.

The Tass report, which was repeated on the main television news with out any film from the area, said that "groups of hoodlums" were "staging pogroms" in private homes, stores, government buildings and on the streets.

The unrest in Kazakhstan was first reported Sunday by the newspaper Komsomolskaya Pravda, the organ of the Communist Youth League.

In a meeting with the authorities that lasted several hours Friday night, the young men complained that temporary workers brought in from other republics to work in the oil and gas producing industry were paid better than local residents. They also discussed other social problems and the high rate of unemployment among local youth. Komsomolskaya Pravda said.

At some point, the meeting flared into renewed violence, and the young men took to the streets with guns and other weapons.

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ARTS / LEISURE

Sir Hardy Amies's Quietly Regal Touch

LONDON — "I feel slightly emotional," says the newly knighted Sir Hardy Amies. "I so admire the queen because even when she is talking about her father, you never see a tear. But I did burst into tears when I got the bloody letter."

Sir Hardy Amies, 60, has the right ring about it for someone who has given the Queen of England nearly 40 years of unbroken service as royal dressmaker. He has dressed Queen Elizabeth II in state evening gowns, in tailored coats and tweeds. He has even put her into shoulder pads.

"Yes, we were responsible for that," he says. "They were too big at first, as most things are at the begin-

SUZY MENKES

ning, so we had to learn. Then we made a yellow coat that she wore on her 60th birthday."

He gives a puckish grin of pleasure, as though the queen, might rest entirely on the padded shoulders.

He is at pains to point out that he is only one of a triumvirate of court couturiers, but Amies has defined the queen's thoroughbred image. They have a symbiotic taste for understatement, simplicity and clean shapes in good fabrics — all hallmarks of a Hardy Amies outfit.

"The best dressed woman is one whose clothes wouldn't look too strange in the country," he says. "The English woman is always dressed in a tweed suit, even if it happens to be in lamé or crepe."

Sir Hardy is sitting bolt upright (he was once a military man) by the window of his Kensington home working needlepoint in variegated green leaves for a chair back. It, too, would not look out of place in the country. And nor would the man himself, in his sage-green pants, discreet autumnal tie and pocket handkerchief. He celebrates his 80th birthday in July, and now spends slightly more time at his country home, a sturdy former schoolhouse in the Cotswolds.

"My contribution to fashion has been 50 years of service to ladies," he says. "My workrooms have always been busy, and somewhere along the line we have established something."

He talks in British understatement, which is part of his charm. In fact, Hardy Amies is the only British couture house with international status: 43 overseas licenses; a solid business for 20 years in Japan; a following in Australia and New Zealand (where he spends two months each year), and in the United States, where he maintains a Manhattan apartment and entertains clients on steak and kidney pudding. When he first went to the United States, he was struck by the affinity between New England and British taste.

"The East Coast ladies wanted to be desperately understated," he says, adding dryly: "No diamonds before six."

As a young man, he was brought up in a suburban home, with a mother who was a court dressmaker.

"It's in my blood," he says of the skills of cutting and sewing he took up as a young apprentice to the

British tailoring house of Lachasse. He set up his own establishment in Savile Row (bastion of traditional male tailoring) in 1946, after a spell in Paris and wartime duty as an intelligence officer, which taught him the organizational skills that most British designers lack.

He talks like the archetypal English gentleman, salting his conversation with stronger language.

"We believe basically in bespoke," he says, using the no-nonsense British word for haute couture. "Half our business is now with the boutique collection. But that is successful because the saleswomen are bespoke minded. They encourage clients to call the fitter, so the poor bugger has to come down."

Off-the-rack menswear has been a long-standing success at home and overseas. The athletic Hardy Amies understood the need for a suit that moved with the body.

"It may be internationally that I have done more for men than for women, if you record my fashion influence," he says. "It was exciting to be part of the peacock revolution in the 1960s. I judge my suits by real Savile Row standards, and I can't tell you how light and flexible they are. Athleticism is the key to everything, for women's clothes as well, and you can see that in street fashion. Girls and boys don't want to show off that they are richer or better class. They want to show themselves off as nice healthy people."

That, he explains, is the difference between English style and French, where sexuality is more provocative.

Sir Hardy's best friend is, he replies instantly, Ken Flerwood, his partner, design director, and the man who will take over in a seamless succession when Amies finally lays down his scissors. Five years ago, he announced publicly that the couture house would be inherited by his loyal staff.

He has not, he says, made money on the Continental or American scale, especially after buying back the business in 1979 after an unsuccessful seven-year period with the store group Debenhams. His annual turnover is now around £10 million (about \$15 million).

"I might just conceivably die a millionaire, but it is all in property," he says. "I've no complaints, because I live jolly well. I have a flat in London, a house in Gloucestershire, a car and a driver."

His recreations are tennis and gardening. His 80th birthday will be celebrated not only by a concert in his honor given at London's Royal Society of Arts, but by a tennis match at his country home, where he still plays a sturdy game, four square to the net in front of a dry stone wall, surrounded by the flowers of a tidy English garden.

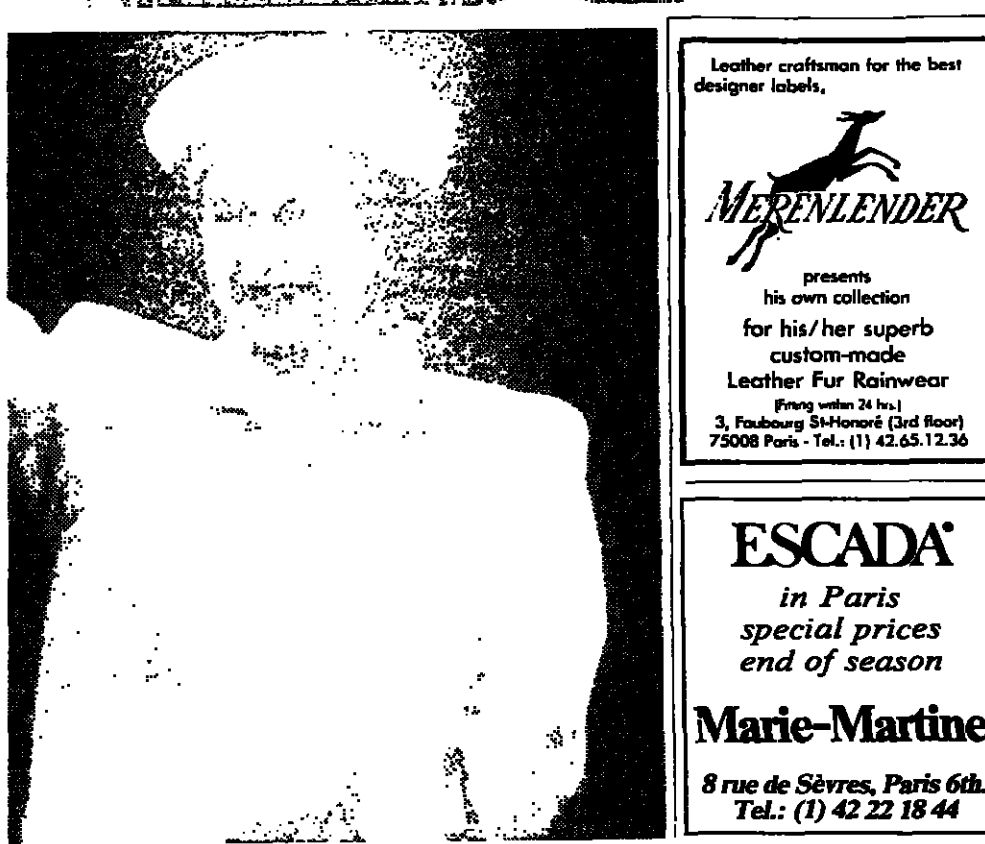
The London flat is filled with velvety, crimson roses brought up from the country, and with well-waxed English oak furniture. He collects pictures of Stuart sovereigns — a private passion.

"What I like best is being in the village in the country and picking up the £67 of my old age pension," he says. "It's my pocket money."

So how does he spend it? A droll smile: "I immediately give £40 to the tennis pro."



Clothed by Hardy Amies (shown at his home): top left, Wenda Parkinson in 1951; below right, Queen Elizabeth on her 60th birthday in 1986 in London; Lady Fergusson, wife of the British ambassador to France, in Paris last week.



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Jewelry Goes Back to Nature



Jeweled necklaces in various flowered and natural motifs, from top, by Van Cleef and Arpels, Boucheron, Mauboussin and Meller.

PARIS — The glittering names of French jewelry have gone green. Nature was the theme of a biennial exhibition last Wednesday in the Place Vendôme. The ecologically inspired bijoux are now on sale.

"Nature is in fashion," says Alain Boucheron. "There is a return to romanticism in jewelry."

Gold fish with green agate and coral fins, conch shells studded with diamonds and an extraordinary chateleine made up Boucheron's treasures from the deep. Apple, cherry and pineapple clips in ribbed gold were also part of this back-to-nature collection.

The invisibly set petal flowers first launched by Van Cleef and Arpels in the 1940s have blossomed in this French biennial year as red, white and blue rubies, diamonds and sapphires. Other delicacies include a ruby clip shaped like raspberries and a diamond lattice necklace sprouting roses in three shades of coral from the palest angel's skin to hot orange.

Mauboussin's *fête champêtre* included fairy-tale toadstools spotted with rubies and diamonds, gold pine cones, jeweled snails and grasshoppers. The most spectacular exhibit was a wine harvest bracelet, with grapes ripe and sour in cabochon emeralds, sapphires and rubies.

Many of the ecological jewels, especially suited to the summer, are under \$10,000; some are inexpensive keepsakes. All of them suggest a kinder, gentler mood replacing diamond-hard glitter.

— SUZY MENKES

ACROSS

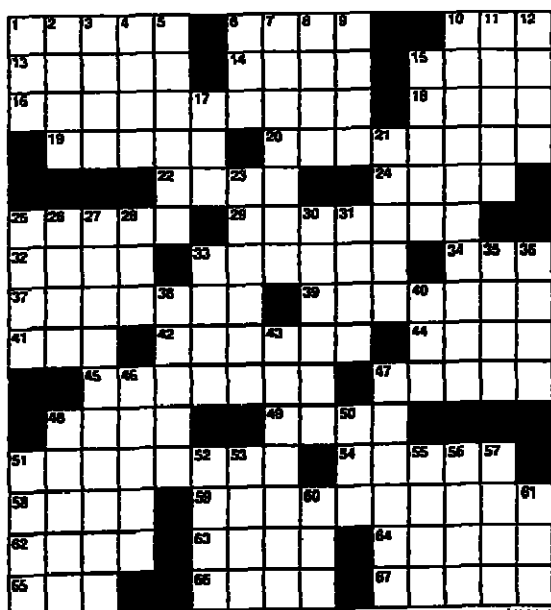
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- 24 Solemn pledge
- 25 Co-founder of Dunelm, Mass.
- 29 Cheerful optimistic
- 32 State bird of Minn.
- 33 A phrase
- 34 Get belted
- 37 Phrasal verb of self growth

DOWN

- 1 Promise

Solution to Previous Puzzle

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DETERRED CENTER
POSADA AIRLESS
ASTUDY IN SCARLET
UE LEMTO CAIRO
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- 2 Repeat
- 3 Genuine
- 4 Cloy
- 5 Plover of literature
- 6 Haunch
- 7 Lasts
- 8 Collar or college
- 9 Places
- 10 Not customary or conventional
- 11 Hide away
- 12 Assistant
- 13 Regions
- 17 French article
- 21 Fabric for curtains
- 22 Maltreated
- 25 Jai —
- 26 Stentorian
- 27 Hymns praising God
- 28 Chemical suffix
- 30 State
- 31 Pinch holding
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- 36 Pelagic predators
- 38 Garden tool
- 40 Org. for a Knick
- 43 Does some surgery
- 46 Peers
- 47 Was a problem sleeper
- 48 Let
- 50 Self
- 51 Instrument for Ringo
- 52 5th-day creation
- 53 Alone
- 55 Roman tyrant
- 58 Dutch cheese
- 57 Stratagem
- 60 Toddler
- 61 Sandy, to Annie

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Switzerland** S.Fr.	046 05 68 00	455	455	255
Rest Europe, N. Afr., X-French Africa, Mid. East	—	470	Varies by country	260
Rest of Afr., Gulf St. Asia	—	620	—	340
Central/Latin America	—	540	—	295

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NYSE Most Actives				
Vol.	High	Low	Last	Chg.
WorlCom	4531	4531	4531	+1/2
WorlCom	3172	3172	3172	+1/2
WorlCom	2222	2222	2222	+1/2
WorlCom	2222	2222	2222	+1/2
WorlCom	2222	2222	2222	+1/2
WorlCom	2222	2222	2222	+1/2
WorlCom	2222	2222	2222	+1/2
WorlCom	2222	2222	2222	+1/2
WorlCom	2222	2222	2222	+1/2
WorlCom	2222	2222	2222	+1/2

Dow Jones Bond Averages				
	Close	Curve		
Bonds	92.19	-0.12		
Utilities	92.19	-0.12		
Industrials	92.19	-0.12		

Market Sales				
NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume
NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume
NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume
NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume

NYSE Diary				
Advanced	Declined	Unchanged	New Issues	New Lows
Advanced	Declined	Unchanged	New Issues	New Lows
Advanced	Declined	Unchanged	New Issues	New Lows
Advanced	Declined	Unchanged	New Issues	New Lows

NYSE Index				
High	Low	Close	Chg.	
High	Low	Close	Chg.	
High	Low	Close	Chg.	
High	Low	Close	Chg.	

Odd-Lot Trading in N.Y.				
Buy	Sales	*SVT		
Buy	Sales	*SVT		
Buy	Sales	*SVT		
Buy	Sales	*SVT		

Monday's NYSE Closing				
Index	High	Low	Close	Chg.
Index	High	Low	Close	Chg.
Index	High	Low	Close	Chg.
Index	High	Low	Close	Chg.

Dow Jones Averages				
Open	High	Low	Last	Chg.
Open	High	Low	Last	Chg.
Open	High	Low	Last	Chg.
Open	High	Low	Last	Chg.

AMEX Diary				
Advanced	Declined	Unchanged	New Issues	New Lows
Advanced	Declined	Unchanged	New Issues	New Lows
Advanced	Declined	Unchanged	New Issues	New Lows
Advanced	Declined	Unchanged	New Issues	New Lows

Standard & Poor's Index				
High	Low	Close	Chg.	
High	Low	Close	Chg.	
High	Low	Close	Chg.	
High	Low	Close	Chg.	

NASDAQ Index				
Close	Chg.	Week Month Ago		
Close	Chg.	Week Month Ago		
Close	Chg.	Week Month Ago		
Close	Chg.	Week Month Ago		

NASDAQ Diary				
Advanced	Declined	Unchanged	New Issues	New Lows
Advanced	Declined	Unchanged	New Issues	New Lows
Advanced	Declined	Unchanged	New Issues	New Lows
Advanced	Declined	Unchanged	New Issues	New Lows

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
Vol.	High	Low	Last	Chg.
Vol.	High	Low	Last	Chg.
Vol.	High	Low	Last	Chg.

AMEX Stock Index				
High	Low	Close	Chg.	
High	Low	Close	Chg.	
High	Low	Close	Chg.	
High	Low	Close	Chg.	

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

NYSE Lower in Dull Trading

NEW YORK — Prices on the New York Stock Exchange closed mixed Monday in slow trading as investors narrowed their focus to takeover issues.

The Dow Jones industrial average, which had risen 11.38 Friday, dropped 6.49 to close at 2,479.89.

Broader market indicators, however, gained. The New York Stock Exchange composite index rose 0.20 to 179.79 and Standard & Poor's 500-stock index climbed 0.54 to 321.89. The price of an average share gained 4 cents.

Declines led advances by a 10-to-9 ratio. Volume slowed to 130.72 million shares from 244.51 million traded Friday.

Buying tied to the expiration of June stock-related futures and options on Friday had helped the market to narrow its losses last week. But analysts said concerns over whether further weakness was in store for the market kept most investors on the sidelines Monday.

"We closed last week with the market having worked off its overbought condition," said Joseph Barthel, director of technical strategy at Butcher & Singer Inc.

"We closed last week with the market having worked off its overbought condition," said Joseph Barthel, director of technical strategy at Butcher & Singer Inc.

But except for some trading associated with takeovers and other special situations, Mr. Barthel said that the market was dull against a backdrop of weakness in other financial arenas and no major economic news.

"The market was pretty lackluster, as the volume showed," said Ernie Rudnet, manager

of block trading at Mabon, Nugent & Co. "People are sitting back and seeing what the market's next move is going to be."

Warner Communications was the most active NYSE issue, gaining 1/2 to 59. Warner received a \$14 billion bid from Time Inc. last week after Time rejected a hostile \$10.7 billion bid from Paramount Communications.

Time fell 5/8 to 156. Paramount rose 1/8 to 60.

Union Carbide, the second most active issue, jumped 2 1/2 to 279. USA Today reported that Nelson Peltz, head of Triun Group, had acquired a stake in the company.

NWA Inc., the third most active issue, soared 6 1/2 to 114. NWA and a corporation led by Los Angeles businessman Alfred A. Checchi said they had entered into a \$121-a-share, \$4 billion definitive merger agreement providing for the acquisition of Northwest Airlines. The move by Mr. Checchi, who initially bought 4.9 percent of the stock, exceeds one made by the oilman Marvin Davis, whose \$90-a-share, \$2.7 billion bid for NWA set off a flurry of bidders including Pan Am Corp. two months ago. Pan Am fell 1/2 to 34.

Elsewhere in the airline sector, UAL jumped 6 1/2 to 128 1/2 on rumors that the losers in the battle for NWA might make UAL a possible takeover target. Also, Delta Airlines tacked on 1 1/2 to 68 1/2, and AMR rose 1/2 to 62.

The Amex Market Value index rose 0.56 to 362.39. The price of an average share gained 2 cents. Declines led advances, however, by about a 5-to-4 ratio. Volume totaled 10 million shares, compared with 11.61 million traded Friday.

12 Month	High	Low	Stock	Div	Yld	PE	52	High	Low	PA	Chg
12 Month	High	Low	Stock	Div	Yld	PE	52	High	Low	PA	Chg
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"Do you own any stocks, bonds or Chivas Regal?"

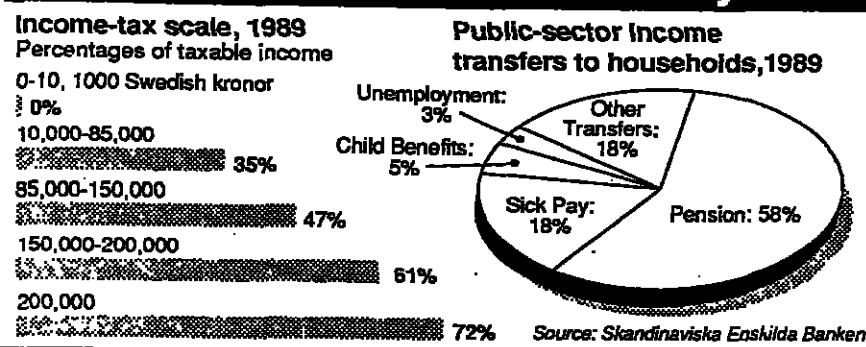
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(Continued on page 12)

Sweden: Time for a Change?



Taxes and the Swedish Welfare System



Kjell-Olof Feldt, right, is pushing tax reform; at issue is the welfare state providing such benefits as free day care.



Moves to Cut Taxes, Overhaul Welfare System Spur Debate

Critics Say Government Plan Violates Country's Tradition of Social Equality

By Henry Tanner

STOCKHOLM — This is a time of fundamental debate among Swedish politicians. At stake are two central features of the Swedish way of life — taxes, which are among the highest in the world, and the generous cradle-to-grave social welfare services they pay for.

The minority government of Prime Minister Ingvar Carlsson, a Social Democrat, this spring kicked up a storm of controversy and even emotion among the usually placid Swedes when it raised the specter of serious tax reform for the first time in some 50 years.

Taxes are no laughing matter. And they are leaving no one indifferent, both because the burden is so heavy and because the art of dodging them has been elevated to a highly perfected national pastime.

Kjell-Olof Feldt, the finance minister and driving spirit behind this and other reforms, thus is inviting great political risks.

There is wide national agreement on the need for tax reform but bitter disagreement on the shape it should take. Even the governing Social Democrats are deeply divided on the issue.

Mr. Feldt, an outspoken man with a history of challenging the national consensus, has said that the present tax system is "perverse" and that reform cannot be further delayed.

He has proposed, in essence, to drastically reduce income taxes and to compensate the government for the roughly 50 billion kronor (\$8.3 billion) shortfall by increasing indirect taxes, notably in the form of higher value-added taxes and new levies on capital gains and other income from capital.

Critics in the labor unions and the opposition parties have attacked the plan as a violation of the Swedish tradition of social equality and justice. They charge that contrary to the present income taxes, which are far heavier for the rich than the poor, the proposed across-

the-board, value-added taxes would penalize the poor.

An all-party parliamentary commission has been debating the reforms for nearly two months. Last week, it endorsed several features of the government plan including abolition of federal income tax for 90 percent of the citizens and reduction of local income taxes; but it requested far-reaching changes in the government's proposals for increased indirect taxes.

The system to which most Swedes are politically and emotionally committed is in crisis.

The final plan — billed as a "revolution" of the tax system — will go to parliament again in the next session.

The tax controversy, divisive as it is, is only the surface of the turbulence that is shaking Sweden's political establishment.

Underlying it is an even more fundamental debate about the future of the legendary Swedish welfare system, which has been the country's pride for the last half-century and which provides for free schools, free health care, free day care for children and many other services, including old-age pensions equivalent to 95 percent of a person's last salary.

The system to which most Swedes are politically and emotionally committed, however, is in crisis — and has been for several years. There are not enough teachers; hospitals lack modern equipment and trained staff, and there are not enough social workers to take care of the elderly. And the cost to the government has been spiraling out of control even though the services rendered have declined.

There was a time when it was easy to provide

Continued on page 10

Economic Proposals Force a Political Retreat

By Michael Metcalfe

STOCKHOLM — Sweden's two major economic challenges at the close of the 1980s are to control inflation and restrain wage growth. Both factors are judged by economists as impeding the country's industrial progress on the threshold of a decade of European economic integration.

Finding the right economic measures to deal with these twin problems has sparked a crisis of political conscience in the ranks of Sweden's largest political party — the Social Democrats. This came to the surface in May when the ruling Social Democratic minority government was obliged to retreat on crucial proposals to cool the overheated economy.

The abrupt change of political course repre-

sented a serious setback in particular for Finance Minister Kjell-Olof Feldt, who has thrown his weight behind efforts to introduce a greater element of free-market forces into Sweden's previously rigid economic structure.

In the revised finance bill for fiscal 1989-90 presented to the Riksdag, or parliament, at the end of April, Mr. Feldt proposed a series of hard-hitting but short-term measures to forestall stagflation, curb inflation and stem spending.

The plan included a temporary increase in the value-added tax from 19 to 21 percent, effective July 1 through 1990, an average 5 percent hike in the prices of alcohol and tobacco, and raised payroll taxes.

The package — particularly the planned VAT increase — met a barrage of criticism, not only from the opposition parties across the

spectrum of right, center and Communist, but also from within the ranks of the Social Democrats and the labor unions.

All have expressed their strong opposition to further increases in the indirect tax burden and, ironically, it is Mr. Feldt who has championed the cause of lessening the individual's tax load and shifting the weight more onto services and capital.

Faced with the distinct possibility of the bill being rejected, the Social Democrats, in a party motion to parliament on May 10, presented an amendment to the bill. Instead of an increase in VAT, the motion proposed a compulsory savings plan, requiring individuals and companies to deposit the equivalent of 4 percent of income tax payable for the period September 1, 1989, to December 31, 1990, into an interest-

bearing account for repayment in April of 1992 to 1993.

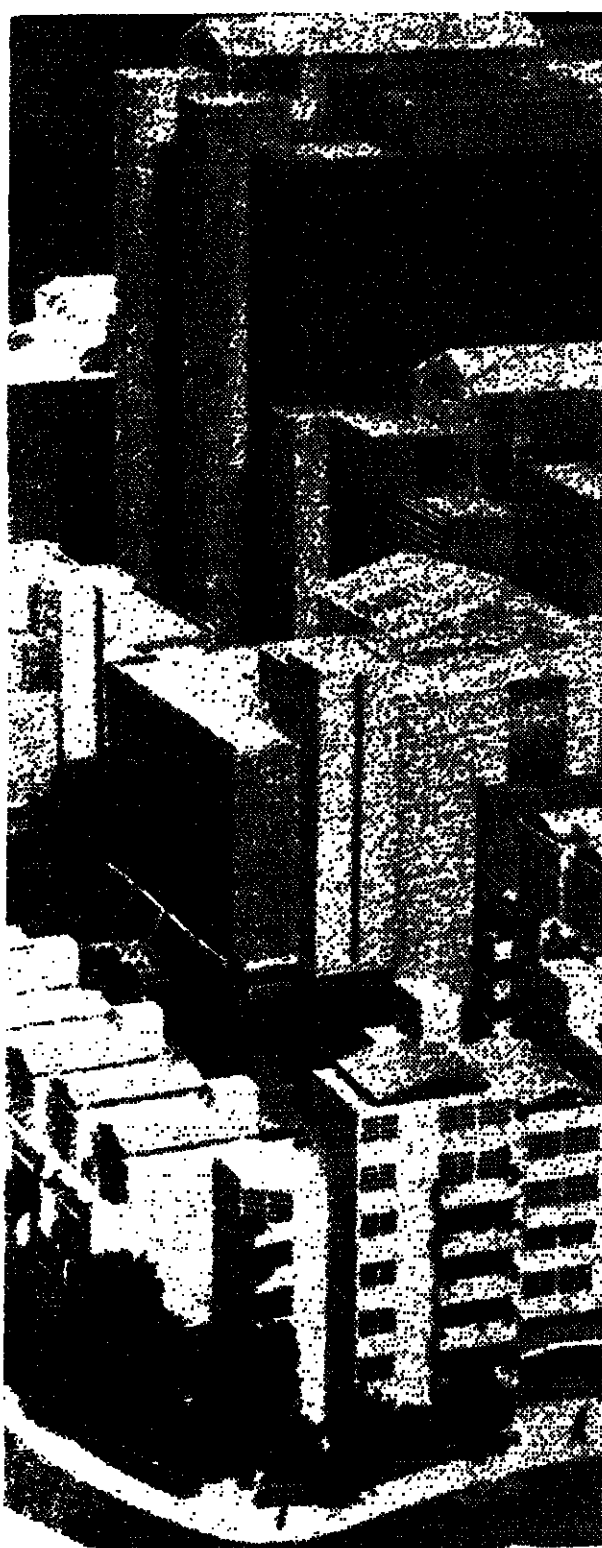
The savings plan formed one tip of a three-pronged attack on the rampant economy; the other two comprised a wide-ranging credit squeeze and a full percentage point rise in the discount rate to 9.5 percent.

The credit-tightening moves include raising the minimum cash down payment on time purchases from the current 40 to 50 percent range to a flat 60 percent. Credit card holders will also have to pay at least 60 percent of the amount outstanding on their credit lines at the end of each month.

It is clear that the Social Democrats were acting from an acute awareness that the domestic economy is still charging on all cylin-

Continued on page 11

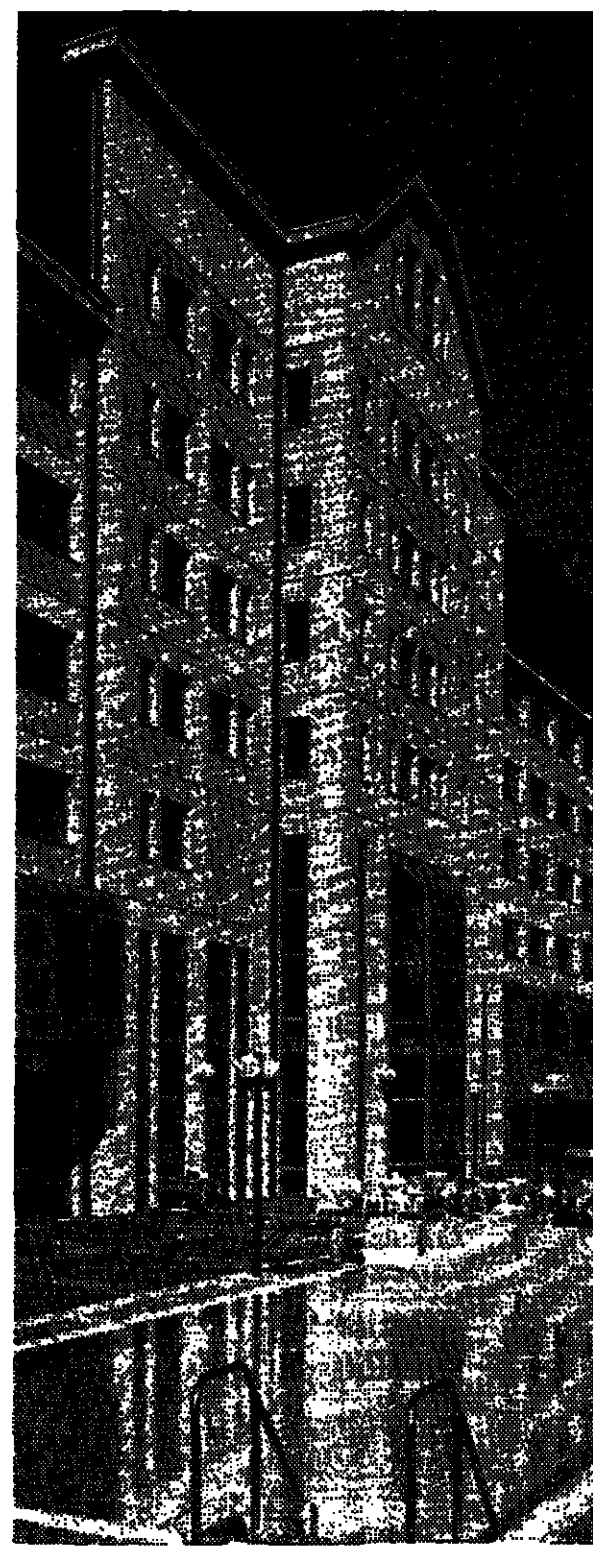
1988 - our best year... yet.



Trinity Tower, London
We are planning and building the Trinity Tower in London. The total construction cost is £100 million. Building commenced in 1988. Completion is scheduled for 1992.



Mrica Power Plant in Indonesia.
The large, technically demanding Mrica dam and power plant project on Java became operational in March, 1989. Skanska acted as coordinator and sponsor for the project, which was carried out in consortium with ABB Generation and Balfour Beatty.



Scandic Crown Hotel in Vienna.
We are building several hotels for our own account in western Europe, with Skanska Baugedellschaft in charge of construction and the Scandic Hotel chain responsible for operating the hotels. This hotel is a former grain warehouse renovated by Skanska into a first class conference and tourist hotel.

Thanks to a favourable economic climate and a deliberate concentration in recent years on quality, technology and personnel development, 1988 turned out to be our best year yet in terms of profit performance.

We have strengthened our position as one of Europe's leading construction and property companies, with a sound financial base, highly developed technology and comprehensive know-how within the fields of construction and property management. We undertake bridges, tunnels, power stations, airports, highways, harbours and industrial plants. As well as hotels, schools, hospitals, office complexes, dwellings and shopping centres. We work in practically the entire world.

Our international property investments are developing favourably. During the course of the year, we have completed our own hotels in West Germany and Vienna, and the exciting Trinity Tower office complex in London is proceeding according to plan.

Group consolidated revenues increased during the year by 17.6% to USD 3,767 million. Income before allocations and taxes amounted to USD 294 million, 9.7% above the previous year. Sales outside Sweden amounted to USD 290 million. Return on capital employed amounted to 16.4%. Return on equity was 15.9%.

SKANSKA 1988	
Consolidated Balance Sheet, December 31, 1988	
In millions of Swedish Kroner (SEK M)	
Exchange rate: SEK 1,000 = USD 105.15 (December 31, 1988)	
ASSETS	
Bank balance	1,611
Receivables	8,676
Investment and development properties	10,005
	20,292
Other receivables	484
Shares and participations	4,404
Machinery and equipment	1,359
Fixed-asset properties	1,020
Total	28,938
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	6,541
Uncompleted contracts	
Invoiced sales from beginning of contracts	20,047
Accumulated expenses from beginning of contracts	16,422
	3,625
Long-term liabilities	10,176
Undistributed reserves	9,245
Capital stock	5,400
Reserves	2,718
Net profit for the year	769
Total	28,938
Consolidated revenues 1988 - SEK 23,090 M	



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Banks Looking for New Business Outlets

By Michael Metcalfe

STOCKHOLM — Sweden's commercial banks, flush with funds after a bumper 1988 of higher profits and increased lending volumes, are setting their sights firmly on consolidation at home and expansion abroad.

The banks, in implementing their strategies, are looking for new business outlets to augment earnings squeezed by fast-saturating domestic and sectoral markets.

This comes at a time when the majority of the larger commercial and savings banks are seeing a rising proportion of their traditional private and corporate customers turning to other sources for their financial needs.

All the four major nationwide commercial banks — Skandinaviska Enskilda Banken (S-E-Banken), Svenska Handelsbanken, PKBanken and Götalbanken — are aggressively seeking to branch out into more broadly based financial service activities, both at home and abroad.

This strategy is in response to two factors: the swift progress toward the creation of a free market in financial services in the European Community by 1992, and the full abolition of remaining foreign exchange controls in Sweden.

By mid-1989, the Swedish monetary authorities had almost entirely eliminated foreign exchange controls and financial regulations that had smothered attempts by the banking community to expand activities.

The major commercial banks have quickly responded to the freer climate. For instance, after the Swedish authorities lift a ban on foreigners owning Swedish bank equity, S-E-Banken and Handelsbanken will offer their shares to foreign investors for the first time next year by seeking listings on the London and other foreign stock exchanges.

The S-E-Banken group chief executive, Jacob Palmstierna, said: "We will seek a listing primarily in London but also, I assume, in a few other places, like Paris and Frankfurt."

The Handelsbanken executive vice president, Goran Björning, said: "It will be a very good opportunity to use the international risk capital market and list the Handelsbanken share in London, and I suppose also eventually in New York."

Mr. Palmstierna would like to see S-E-Banken expand its international network, augmenting well-established branch and subsidiary operations in London, Luxembourg, Frankfurt, New York, Hong Kong and Singapore. The Hong Kong branch began opera-

ing income rising 17 percent to 7.63 billion kronor.

Handelsbanken reaped the benefits of stringent cost measures in 1988, advancing group operating profits by 24 percent to 3.68 billion kronor, from 2.98 billion kronor a year earlier, when the bank was badly hit by losses in the domestic options market.

Profits from Swedish banking operations soared 28 percent to 3.35 billion kronor, while interest income climbed 15 percent to 4.41 billion kronor due to the robust increase in

estate holdings. It is also planning to create a new type of share in readiness for its introduction on foreign stock exchanges.

Both PKBanken and Götalbanken also reported a bumper year in 1988. PKBanken saw its group operating profits rise 38 percent to 2.9 billion kronor from 2.1 billion in 1987, swelled by its acquisition of Carnegie, a Swedish broker, in May 1988. Group income was up 13 percent at 7.79 billion kronor. Costs were held relatively in check, rising by 9.6 percent to 4.89 billion kronor.

Göta, the banking and financial services group created in 1984, boosted operating profits by 61 percent to 953.2 million kronor in 1988, while operating income jumped 39 percent to 3.97 billion. Costs were high too, however, climbing 28.6 percent to 2.69 billion kronor.

The Swedish savings bank sector has also undergone change, though on the whole, it has managed to weather the storm reasonably well. In early 1986, there were 139 individual savings banks; as a result of extensive mergers, by the mid-1990s there will be less than 10 large regional savings banks.

There are considerable regional differences between the savings banks, even if they all market their services under a common symbol — the oak tree. The largest is Första Sparbanken, with main offices in Stockholm and Göteborg. It had 18.8 billion kronor in deposits at end 1988, 125 branch offices and about 2,100 employees.

The Swedish savings banks have their own commercial bank, Sparbankernas Bank, which acts as the central clearing bank for the sector, with services in money and capital accounts, foreign operations, securities trading, and so on. Known as SvedBank abroad, it has operations in the major financial centers, including Luxembourg and New York.

The total assets of the Swedish savings banks amounted to about 145 billion kronor by the end of 1988, representing only a slight increase on previous years' levels, and the pattern of growth is not expected to alter appreciably in the coming years.

To augment earnings squeezed by fast-saturating domestic and sectoral markets, the banks are trying to branch out into more broadly based financial service activities.

tions in February 1988 and exports and imports from the colony.

Setting up branch offices abroad has its drawbacks in terms of costs, however. S-E-Banken reported in its latest annual report that group operating costs rose by 12 percent to 5.04 billion Swedish kronor (\$748 million) last year, boosted by the drive overseas.

Mr. Palmstierna admitted that there is little room for complacency, particularly in defending market share in the domestic sector. He noted: "You can't expand as rapidly as we have been doing for years to come. In the future, I think there will be more competition from domestic banks but also from foreign banks."

The S-E-Banken accounts show that group operating profit advanced 16 percent to 4.67 billion kronor last year from 4.04 billion kronor in 1987, while total operating income gained 15 percent to 10.12 billion kronor.

Of these totals, Swedish banking operations still comprise the lion's share, with operating profits from domestic business jumping by 21 percent to 3.72 billion kronor, and total opera-

lending. The increase in total costs was also high, however, gaining 15 percent to 2.93 billion kronor.

Mr. Björning noted: "The Swedish big banks are very cost effective, but margins are shrinking, and with tighter, fiercer competition also from international banks, they could tend to be even lower."

Handelsbanken has proved more reticent in its overseas expansion but has taken advantage of financial deregulation that allows banks to establish offices with branch status overseas.

As a result, it recently changed the status of its London and Singapore offices from subsidiaries to branches. It is also represented with subsidiaries in Luxembourg and Norway.

Both the major banks have had the foresight not to rely on earnings growth alone to finance expansion. Both have announced bonus issues to shareholders as a way to boost equity capital resources.

In S-E-Banken's case, it has doubled its share capital to 2.57 billion kronor via a bonus issue using funds from its legal reserves, as well as a sizeable writup on its considerable real

Moves to Cut Taxes Spur Bitter Debate

Continued from page 9

funds for social services; whenever necessary, the Socialists increased taxes, a leading journalist said. But with taxes amounting to 56 percent of the gross national product, this is no longer possible without jeopardizing the well-being of the national economy, as Mr. Feldt's supporters point out.

Tax reform and the overhaul of the welfare system are particularly difficult subjects for the Social Democrats, who devised both the welfare state and the tax system that supports it.

Predictably, therefore, the present national debate started as an internal party discussion among Social Democrats — between "fundamentalists" who think that the welfare system must not be tampered with and others who want to reform it by injecting a larger dose of competition and free enterprise. Mr. Feldt, the finance minister, is often cited as a leader of the latter.

"We have the greatest personal affluence of all time, but our social services are declining," said Rolf Alsing, the influential editor of the union-owned newspaper Aftonbladet, who is an important participant in the current debate. He wants "to rebuild the quality" of the social service system but said that he "is in conflict with those who want to cut taxes."

Declining the fundamentalist label that he said has been pinned on him, he said that he would like to see the welfare institutions better managed and decentralized. In order to improve their performance, he is ready even to turn some of their functions over to "private alternatives."

In his view, Sweden's economic crisis of the 1970s, when unemployment rose to the "catastrophic" — for Sweden — rate of 3 percent, has been overcome. Industry profits, he said, have been "allowed to shoot up" and unemployment is down again to the "normal" Swedish level of 1.8 percent.

"This is the time to harvest," not to retrench,

he said, citing public opinion polls to show that most Swedes, when faced with a choice, prefer high taxes to a lowering of welfare standards.

Others, in and out of government, see "tremendous pressures" to rein in the cost of social services in the interest of a healthy and competitive national economy, and maintain that only drastic measures, including a good degree of privatization, will do.

"We have looked at day-care centers, for instance, and we found that some are three times more expensive than others," an official said. "We are trying to find out the reasons."

Some of the governing Social Democrats, however, fear that the calls for greater efficiency in the social services are the cutting edge for an attack on the welfare state as such.

They cite an article in which Mr. Feldt wrote, among other things, that the Social Democratic Party program was obsolete in many important aspects and that the market economy, which stimulated economic growth, had done more to eliminate poverty and social exploitation than government intervention.

Mr. Feldt's supporters answer that the finance minister ventured nothing more than a reinterpretation of what Swedish social democracy has been standing for all along. Since the 1930s, they say, the party has been "reformist," presiding over an efficient mixed economy and allowing nearly complete economic freedom while making sure, through welfare and taxes, that the fruits of prosperity were fairly distributed.

HENRY TANNER is on the staff of the International Herald Tribune.

New Drive Pushes Holiday Image

By A. Michele Schmidt

STOCKHOLM — Selling Sweden to the Swedes is now the highest priority for the Swedish Tourist Board, which is tailoring its campaign to appeal to locals and to Swedes abroad, especially in the United States.

Lying far to the north in Europe is a jewel — beautiful, multifaceted and often overlooked — the board notes in its brochures.

The government is investing heavily in wooing overseas visitors, many of whom make their turn-around in Copenhagen. The tourism industry contributes about 14 billion kronor (\$2.35 billion) annually to Sweden's coffers, approximately 4 percent of the gross national product.

But Swedes are taking their money elsewhere — an estimated 28 billion kronor per year. That leaves Sweden with a 14 billion kronor deficit problem, says George Hogsander, marketing director of the Swedish Tourist Board.

Rich in culture and tradition, Sweden offers a smorgasbord of tourist attractions, plus lush countryside and some of the last real wilderness in Europe.

Mr. Hogsander is the man at the helm marketing Sweden. Responsible for managing the Swedish Tourist Board's budget of 115 billion kronor for the 12-month period running from mid-1989 to mid-1990, he determines where the marketing dollars are to be spent.

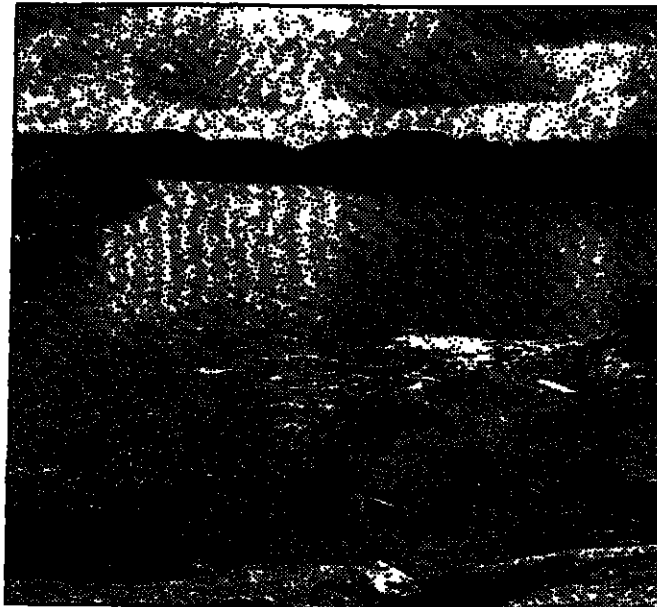
He believes that "Sweden and the rest of Scandinavia are holiday countries for the future, offering a quality, not a mass, product."

And who is vacationing in Sweden? Swedes make up some 80 percent of the tourism market. Norwegians about 6 percent, and Germans, the largest group from outside of Scandinavia, 6 percent.

The remaining 8 percent consists of visitors from the rest of the world, many of whom are American or Japanese.

In planning Sweden's marketing efforts, the United States would at first seem a likely audience. But of the 215 million Americans, only about 32 million have passports for foreign travel. Of those, market research estimates that only seven million are interested in Europe.

Sweden's difficulties in attract-



Sweden's pristine coast, such as the area near Kungälv, is a favorite with vacationers.

ing vacationing Americans skyrocketed with the Chernobyl nuclear accident. Thirty to 40 percent of the U.S. market was lost immediately as thousands of Americans rushed to cancel their reservations for fear of nuclear contamination. Numbers have been climbing annually but, even with this year's expected 10 percent to 12 percent increase, they are still not expected to reach the pre-Chernobyl level.

The devaluation of the dollar also has had a strong impact on American tourists. Many consider Sweden too expensive and while they may get as far north as Copenhagen, don't continue north. The strong yen, however, has positively affected tourism from Japan, making Sweden an affordable getaway.

The current "Discover Sweden" campaign just launched as a joint effort between industry and the Swedish Tourist Board is targeted primarily at Scandinavians. The theme is the wealth of activities available.

Mr. Hogsander is getting a jump on what he foresees as the activity-oriented vacation theme of the 1990s.

"Focus on Scandinavia" is the name of the campaign geared to-

ward the U.S. market. It is a three-year, 70 million Danish kroner (\$9.88 million) campaign jointly sponsored by Scandinavian industry and government organizations such as the tourist boards.

For Sweden, this is the largest campaign ever targeting the U.S. market. But it is a drop in the bucket considering the sums of marketing dollars spent annually in competing for tourists worldwide. "Take, for example, New York State's tourist budget this year — the equivalent of 100 million kronor for marketing New York to Americans," said Mr. Hogsander.

The charter travel business, which is extremely well developed in Sweden, is an obstacle hampering the attempts to lure Swedes into vacationing in their homeland, said Mr. Hogsander.

"The sun is more important than 100 million in marketing money," he said. "One very bad summer and the figures drop drastically. A good spring like we have had, with warm sunny weather, does more than anything else to boost vacationing here."

Stockholm, often called the "Venice of the North" — built on nine islands connected by a matrix

of bridges — is considered Sweden's most important product, with its museums, royal castle, Stansen theme park, open-air markets, monuments and the well-preserved Old Town.

The city has nine restaurants with a star in the Guide Michelin. Mr. Hogsander noted, adding that there are few cities of the size of the Swedish capital, with a population of about one million, that can boast of so many fine restaurants. Comfortable hotels at inexpensive rates are also available during the summer months as business travel decreases.

World-famous for high quality crystal, visits to Sweden's glassworks, such as Orrefors, Kosta Boda and Lindahammar, are worthwhile excursions.

A trip to Sweden would be incomplete without experiencing some of the bountiful wilderness areas, including the archipelago with its 30,000 islands. Sweden is the only country in the world to have what is called *Allemansrätt*, a law allowing anyone to roam any place, even on private property, out of sight of a house.

"We're like a big national park, there for everyone to enjoy," Mr. Hogsander said.

Camping, fishing, river rafting, renting small country houses called *stugor*, picnicking on the treeless mountaintops of the *fjäll*, canoeing through rushing rapids, downhill and cross-country skiing are only a few of the activities that bring one in contact with nature. At Riksgransen, on the border of Norway, one can even experience sunset skiing in the glow of the midnight sun.

Extensive promotional work with companies such as Viking Line and Silja Line, which ferry passengers between Finland and Sweden, has paid off, Mr. Hogsander said.

"Without joint efforts with the transportation companies, major market shares are lost for us," he said, citing the 60 percent drop in Dutch tourism directly after the discontinuation of the ferry from Amsterdam to Gothenburg. It has since been restored with a somewhat limited schedule.

A. MICHELE SCHMIDT is a journalist based in Stockholm.



Prime Minister Ingvar Carlsson



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Sweden: Time for a Change? / A Special Report

30 Companies' Profits Top Billion-Kronor Mark

By Lennart Carlsson

STOCKHOLM — Swedish industry is enjoying golden times. Profits rose to record levels in 1988 in nominal terms. The improvement was on a broad scale, and more than half of Sweden's 500 largest corporations showed better profitability.

Last year will be recorded as one of the best years in the post-war period. In addition, it was the sixth consecutive year of good profits. And it is difficult to find loss-making companies, at least on a consolidated level.

Instead, more and more companies are breaking through the billion-kronor profit line. Last year, 30 companies reached the billion-plus mark, with Volvo on top. The car manufacturer's 8 billion kronor (\$1.44 billion) in profits was almost double that of the runner-up, Skandinaviska Enskilda Banken, with 4.7 billion kronor. Electrolux, the global household appliance producer, came in third, with 3.7 billion kronor, closely followed by the largest forestry group in Europe, Stora.

It is also noteworthy that more than half of the billion-plus companies recorded profits higher than their own forecast toward the end of last year. Judging from first quarter results, 1989 will be another record year.

Sandvik, the specialty steel company, seems to be the leader among the major corporations. The company reported a 50 percent increase in profits last year. This gave Sandvik an outstanding profit margin of 17 percent. Profitability on equity rose five percentage points, close to 25 percent. The competitor on rock drilling steel, Secoroc, which was acquired by Atlas Copco last year, is not far behind, with a profit margin of 16 percent. Atlas Copco, makers of compressors, construction and mining equipment, has staged

something of a comeback after several troublesome years.

Restructuring of operations and a tough rationalization program have paid off. Together with strong demand for its products generated from the investment boom, especially in Europe, Atlas Copco recorded a 50 percent increase in profits in 1988. And it

But it is probably within the Saab-Scania group that the real champion of the Swedish metal engineering companies is found — Scania, the truck and bus producer. Scania boasted a profit margin of 20 percent last year.

Volvo, the largest company in Sweden with sales of close to 100 billion kronor, showed unchanged

Buoyant profits have also made an impact on investment plans. Industrial investment is expected to increase by 5 percent, to 40 billion kronor, in 1989.

will be even better this year, according to estimates from the company.

The same story could be told about SKF, the multinational in ball bearings. SKF has also benefited from price increases on its products, although the company's profitability is still not on a satisfactory level. Alfa Laval, producer of equipment for dairy, agriculture and food industries, is back in shape. On sales of 12 billion kronor, the company reaped profits of 1 billion kronor.

Ericsson, the global competitor in telecommunications, has accomplished a dramatic turnaround after its divestiture of its troublesome computer division to the Finnish firm Nokia. Ericsson's profits more than doubled to 1.8 billion kronor. With high demand for public exchanges as well as mobile telephone systems, Ericsson now seems to be set on a rapid growth path.

Saab-Scania, the big automotive and aerospace group, breaks the pattern among the big companies. For the first time in 11 years, the group's profits fell, by 10 percent to 3.2 billion kronor. The Saab car division barely broke even last year; aerospace recorded a loss.

profits, thanks to better performance in the truck and bus businesses. Profits from cars were down.

Electrolux profits of 3.7 billion kronor were within expectations. Setbacks in the United States were compensated by a sharp profit increase in its aluminum business. Asca Brown Boveri (ABB) showed a tiny profit margin of 3 percent last year. Both companies have reported a good start in 1989 in their first quarter results.

In the forest industry, profits continue to climb, but at a somewhat slower rate, 30 percent up last year against close to 60 percent increase in 1987. Last year can be called the year of restructuring of the Swedish forest industry. Stora acquired Swedish Match in a megadeal worth 6 billion kronor. Mado, the third forestry group after Stora and SCA, was formed through acquisitions of Holmen and Iggesund. This year is expected to be another good year.

Buoyant profits have also made an impact on investment plans. Industrial investment is expected to increase by 5 percent, to 40 billion kronor, in 1989. Investments had been weak through a



Profits for Electrolux, the global household appliance maker, reached 3.7 billion kronor last year.

10-year period until taking off in 1987.

Most industries are facing capacity problems, and labor shortage is another serious difficulty. Wage costs are traditionally high in Sweden. The minority government tried to cool the overheated economy with the proposal, rejected by parliament, to increase indirect taxes. Whether the new package, including compulsory saving

by households and levy on salaries and wages, will rein in the economy is uncertain.

The levy will definitely make a dent in profits. But more and more of the profits that the large and internationally oriented Swedish corporations generate seem to come from their foreign operations. This is the result of a dramatic increase in direct foreign investments by Swedish companies during the 1980s. Last year foreign investments topped more than 30 billion kronor. Seventy percent went to the European Community, in preparations for facing 1992. The buying spree has now calmed down somewhat because of high prices and a need to consolidate recent acquisitions.

LENNART CARLSSON writes for *Affarsvärlden*, a Swedish business weekly.

Little Incentive for Inventors In Sweden's Industrial World

By Hans Sandberg

STOCKHOLM — Olle Swerström, chairman of the Federation of Swedish Inventors, worries about his country of eight million people. He feels the Swedes don't fully understand the importance of innovations and inventors.

"I am 60 years old," he said, "but I cannot recall any time that I could say with pride that I was an inventor."

However, the traditional view of the inventor as village fool is changing. There are also clear signs of a growing entrepreneurial spirit in the many research villages sprouting up around the country's leading universities. But this is not enough.

"The problem is that other countries are also very good, perhaps even better, at starting new production based on new ideas. Just take a look at Japan. It is scary," said Mr. Swerström, who is a successful inventor and entrepreneur.

This is of no minor concern for Sweden, whose industry and welfare system is heavily dependent on export. Sweden exports almost 40 percent of its GNP, or half of its industrial production.

Many leading Swedish industrial companies grew out of technological inventions or innovations of the 19th century. But hardly any major new company has been built on new technology since World War II.

The Social Democratic governments have tried to stimulate new technology and new industries, especially since the industrial crisis of the late 1970s. The growth of Sweden's spending on research and development matches that of Japan, and the country now allocates 3 percent of its GNP for research and development.

The National Board of Technological Development spent 850 million Swedish kronor (about \$135 million) last year on new technology. The board helps to fund 80 percent to 85 percent of all new companies in Sweden.

"No other country gives as much state support per capita to its inventors," said a leading expert on innovation, Professor Bengt-Arne Wadén from the Royal Technical Institute in Stockholm.

Nevertheless, a surprisingly small portion of industrial production — 7 percent — comes from the high-tech sector. It is the low-tech, raw material based industries that dominate the industry and employ half of the industrial workforce. This will continue as long as the medium- and high-technology industries stagnate or shrink.

This is troublesome since the high-tech industries show the fastest growth in the world market, and it is there that the new jobs are being created.

The Social Democrats have preferred large companies, rewarding them with generous tax breaks, a long as they reinvested their profits. The managers of Sweden's big corporations didn't mind this.

"As we don't have any home market, you have to get out into the world, and fight with the dragons," said Hans Werthen, chairman of the board of Electrolux, the appliance manufacturer. "That's why we have a comparatively concentrated industry."

This fact affects every inventor. "The industry is basically interested in innovations that are in line with its core business," said Curt Andersson, director of the Federation of Swedish Industries.

For an inventor in the mainstream this may be quite good, but if not, he may be better off going abroad with his ideas.

This was the case for Turtjorn Lagerwall and his

American colleague, Noel Clark, at the Chalmers Technical Institute in Gothenburg. They developed a new display technology based on a discovery in liquid crystals, a technology used in lap-top computer screens, digital watches and pocket TVs. After having courted Swedish industry for a long time, the two researchers turned to Japan for help. And last year Canon presented a prototype of a ferro-electric liquid (FLC) crystal screen with ultra high performance.

"Sweden is extremely narrow-minded," Mr. Lagerwall said.

The Swedish industry defends itself by saying that Sweden is a very small country. Why is it then that the Finns, who are also a small nation, can be so

"We have more outflow of new technology-based companies than inflow. . . . Many golden opportunities bypass Sweden."

allert? They showed much more interest in our work than the Swedish industry," he added.

It would cost at least 100 million Swedish kronor (\$16.6 million) to set up a factory that could produce FLC-screens, and that is too much for a start-up company in Sweden. It would require a company of the magnitude of L.M. Ericsson, the telecommunications giant, but the company was badly hurt recently when it tried to get into the personal computer business. Since then it has been "back to basics."

It is hard to argue that Ericsson should not focus on telecommunications, but for Sweden such a strategy presents a dilemma.

"Here we have a potentially gigantic market, but we don't have industries working on it," said Sven Ingmar Ragnarsson, who is responsible for the FLC-screen project at the National Board of Technological Development.

This is not an isolated case. Spine Robotics, with its innovative robot products, was recently sold to a Japanese company, although Sweden's Asea Robotics is a world leader in the field.

Soren Sjolander, at the department of innovation research at Chalmers in Gothenburg, fears that "we have more outflow of new technology-based companies than inflow."

"Many golden opportunities bypass Sweden," Mr. Sjolander said. "The large companies are not good at handling products based on new technology. That is why we need small enterprises."

But Sweden is not California, where the risk-taker and entrepreneur is a hero. Swedes like security.

In a survey from the early 1980s, 73 percent of the respondent inventors mentioned high taxes as an obstacle to innovation.

The tax system, which taxes income rather than invested capital, is probably one of the reasons that Sweden lacks venture capitalists. Why take big, long-term risks if there are not big rewards?

The sharpening international competition is now turning this question from a moral one to a practical one: How to avoid the threat of losing world market shares.

HANS SANDBERG, a journalist based in Stockholm, specializes in information technology.

Economic Issues Stir Up Opposition

Continued from page 9

ders, fueled by robust external demand yet hurting from domestic manpower shortages and excessively high rates of inflation.

However, the general assessment of Swedish commercial banking economists is that the tighter credit moves represent the traditional Social Democrat approach to reining in galloping domestic demand, inflation and wage deals. What is needed, they say, is a strategic, longer-term plan to encourage industrial investment and push up private savings ratios.

Although higher domestic interest rates will curb consumer borrowing and attract foreign capital into high-yielding Swedish financial instruments, they will also have the negative side effect of dampening gross fixed investment levels.

The government, in its revised budget, forecast slack GDP growth, averaging an annual 1 percent over the period up to 1993. Gross fixed investment growth is projected to slow from 5.3 percent in 1988 to 4 percent this year, and to zero growth in 1990.

The banking economists disagree with the official view, arguing that expansion in industrial investment, in fact, will slow to less than 2 percent in 1989 before retreating by more than 1 percent in 1990.

Moreover, Sweden will continue to be beset with structural problems of labor shortages and aging industrial plants — the results of long-term low growth.

The outlook for trade and inflation is scarcely better. While the official forecasts call for the trade surplus to grow vigorously this year and next, outstripping last year's 25 billion Swedish kronor, banking economists concur that the current-account deficit will widen further from an estimated 18 billion to 22 billion kronor this year to between 20 billion and 25 billion kronor in 1990.

The government puts inflation at 8.3 percent this year, up from 6.1 percent in 1988, before slowing to 4 percent in 1990. The economists do not share the optimistic outlook for next year, seeing consumer prices remaining high at annualized levels of 5.5 to 7.5 percent well into 1991.

The government puts inflation, which was at 6.1 percent in 1988, at 8.3 percent this year. It expects it to drop to 4 percent in 1990.

Economists do not share the optimistic outlook, seeing consumer prices remaining at levels of 5.5 to 7.5 percent well into 1991.

With the growth in private consumption expected by government officials to ease from 2.2 percent in 1988 to 0.8 percent in 1989 and 0.5 percent in 1990, and commercial economists forecasting even sharper drops, much will hinge on Swedish industry's continuing capacity to export and thereby act as the motor for economic growth.

Exporting companies will find the going tougher if world trade slows toward the end of this year and if their competitiveness continues to be dented by excessive rises in hourly wage costs. These currently run at an annualized

growth rate of more than 7 percent.

While the government is hopeful that the planned austerity measures will help to curb average wage increases to about 4 percent next year, the employers are more pessimistic. The industry Federation estimates that the recently completed two-year national wage deals — providing for automatic compensation if prices rise above an annual 6 percent — will push total wage costs appreciably higher than the current 7 percent level.

This factor, coupled with high interest costs, will ensure that domestic industrial investment will

stagnate while Swedish companies continue to pursue their expansionist corporate strategies within the European Community area.

All these factors point to hard times ahead for Sweden's ruling Social Democrats. The passage of the bill in its modified form remains an open question, since the compulsory savings plan has also met with fierce criticism from the political opposition. The plan has also been modified, lowering the compulsory 4 percent level to 3 percent in order to win parliamentary backing from the small Center Party before the summer recess.

As well as raising a question mark over Mr. Feldt's political future, the furor over the bill has also thrown into doubt the minister's radical tax reform program announced last fall and designed primarily to benefit companies and the middle- and upper-income groups.

MICHAEL METCALFE is a Nordic correspondent for *Business International*.

The EC Question: Join or Resist?

STOCKHOLM — Swedish industry and the government are gingerly tiptoeing around one of the important questions facing them over the next few years — whether or not to seek membership in the European Community.

The government rules out membership as being incompatible with Swedish neutrality and argues that the question is not pressing, anyway, because the EC is showing no interest in admitting new members anytime soon.

The Federation of Industries says it has not addressed the issue of membership "as such." But its most influential members — the heads of Sweden's powerful multinationals — are multiplying their warnings that Sweden must do everything possible to prevent its industries from being seriously damaged and discriminated against, once the internal European market becomes a reality in 1993.

Increasingly, the view is taking hold, at least in industrial and banking circles, that Sweden will not be able to prevent this discrimination if it stays out of the EC.

"It is simply unrealistic to think that it is possible to stay out of the community and at the same time to avoid being discriminated against in the long run," a bank executive said. "We

should admit that there is no such thing as a free ride."

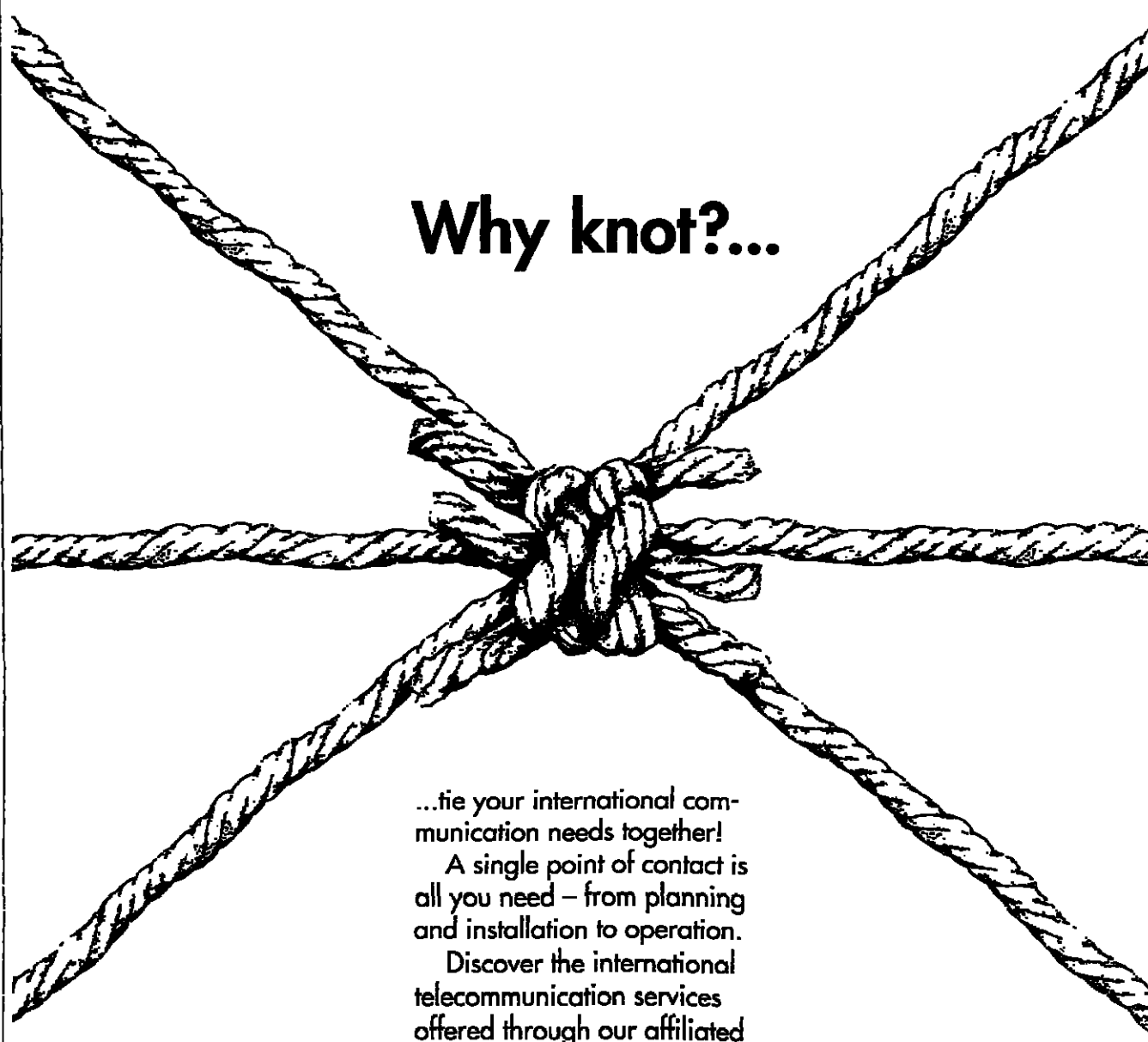
The 12 members of the EC buy more than half of Sweden's exports.

Government officials, while reiterating the neutral country's inability to join a community that increasingly involves harmonization of defense and foreign policies, are careful not to rule out the possibility of membership forever. Some concede that public attitudes may slowly be changing, as opinion polls record a growing interest in European affairs. Among politicians and within the labor unions, attitudes are also gradually evolving, one observer said.

In the meantime, the government has told the members of the EC that short of seeking membership it is intent on transforming the Swedish economy and adapting its own laws, regulations and practices unilaterally in line with the liberalizing measures proposed for the Common Market.

Of the 280 priorities that the EC has set for the unification of the market "we can meet 60 percent unilaterally," a government official said. He added that Sweden accepted the "four freedoms" — free movement of goods, people, including labor, and services, including capital and technology.

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new	133.50	135.75	135.50	133.75	135.00	135.25
old	132.00	132.00	132.00	132.00	132.00	132.00
oil	130.00	132.25	132.75	136.75	137.50	138.00
gas	130.00	129.25	129.00	137.50	138.00	138.50
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1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the problem.

TUESDAY, JUNE 20, 1989

Taiwan Stocks Ride Wave Of Hope Past 10,000 Mark

Enterprise Cleared on Texas Eastern Unit

Seoul Unveils Plan to Battle Economic 'Crisis'

Compiled by Our Staff From Dispatches
SEOUL — The government unveiled a package of measures Monday to combat what it called a "crisis" in the South Korean economy and revised its forecasts for growth and trade.

The key measure announced by the ministers for trade and economy was a plan to "stabilize" the exchange rate of the won.

This year, the currency has risen 2.6 percent against the dollar. Last year, it rose 15.8 percent against the U.S. currency, triggering complaints from exporters that their competitive edge was dwindling in foreign markets.

South Korea's largest trading partner, the United States, has demanded a further appreciation of the won in order to reduce the trade

imbalance between the two countries, which totaled to \$8.8 billion last year.

Another major element of the package was a curb on wage increases, with a 10 percent ceiling to be implemented next year.

The deputy prime minister, Cho Soon, said that wages rose 62.5 percent between October 1987 and the end of this May.

Government officials said that a joint committee, including representatives of government, industry and labor, would be set up to coordinate wage increases in the future.

The committee is to take into account each firm's productivity and to suggest "reasonable standard rates" for wage increases, the officials said.

Mr. Cho said that strikes and

work stoppages in the past 20 months had cost the country about \$12 billion in lost production and about \$2.3 billion in exports.

Recent labor unrest at Daewoo Shipbuilding & Heavy Machinery Ltd., a key component of the giant Daewoo Group, has threatened to derail a rescue package for the big shipping yard, already hit hard by a worldwide slump in the industry and the appreciation of the won.

Mr. Cho said the government also planned to provide tax incentives and soft loans to encourage corporate investment.

Meanwhile, Seoul lowered the forecast for economic growth this year from 8 percent to 7.5 percent. It also reset the export target from \$70 billion to \$68 billion, and revised the projected current account

surplus from \$9.5 billion to \$8 billion.

After recording an average of 12 percent economic growth for the past three years, the economy has slowed this year amid signs of stagnation and inflation.

The gross national product grew at an annual rate of 5.7 percent in the first quarter, down sharply from the 15.2 percent rate during the same period a year earlier.

Interim statistics from the Trade and Industry Ministry for the first five months showed that exports on a customs clearance basis totaled \$23.77 billion, up 6.7 percent from a year ago, against imports of \$23.78 billion, up 19.2 percent, for an \$11 million deficit.

(APR, Reuters)

HONDA: After Years of Triumph, No Longer Hitting on All Cylinders

(Continued from first finance page)

other day, "is terrified of losing the magic." Honda officials and most analysts insist that the magic is still alive and the troubles are temporary. The turnaround, they contend, should come this fall when Honda plans a huge overhaul of the Accord, its biggest money maker in Japan and the United States. That car, which is manufactured in both countries, did much to take Honda to its heights.

While the company is tight-lipped about the details, the Japanese press is full of reports that Honda is planning to replace the Accord with not one car, but four. Two would be variants of the existing model, and two, reportedly called the Ascot and the Accord-Inspire, would be entirely new. Some of the models would be equipped with an unusual five-cylinder engine intended to provide more power without sacrificing fuel economy.

"These models should make a good-size splash," said Michael Remington, an auto analyst for S.G. Warburg Securities Japan Inc. "It's a vital introduction."

"Right now it is very much out of fashion in Japan to buy a Honda," he said, a significant problem in a country where young drivers are notably status-conscious.

If the introduction is crucial in Japan, where Accord sales were down about 23 percent in the first five months of this year, it will be even more important in the United States, Honda's biggest market.

So far, the company's sales in North America have held up, and revenues have been bolstered by the success of the Acura line of luxury cars that it sells through a separate network of dealers. But there are signs of trouble.

Two weeks ago, Honda, which has long dominated the J.D. Power & Associates list of the new cars with the highest degree of U.S. customer satisfaction, fell out of the top 10 in the latest annual survey, which is based on interviews with 25,000 owners of new cars. The leading car in the survey this year was the recently redesigned Nissan Maxima.

In addition, both of Honda's big rivals will introduce new lines of luxury cars, the Lexus from Toyota Motor Corp. and the Infiniti from Nissan, in the United States later this year. Like the Acura, they will be sold through separate dealer networks, but are aimed more at the Mercedes and BMW than the Acura line.

Moreover, the U.S. auto market is slowing, amid fears of a huge stockpile of unsold cars, at a time when Honda is expanding its manufacturing operations in Ohio, in preparation for production of the new Accord models.

Should the U.S. market turn down, Honda will have to depend more than ever before on Japan, where it is a distant third in sales to Toyota and Nissan, which together control two-thirds of the Japanese market.

For a while, it looked as though Honda had both its giant rivals on the run. It sold 620,000 cars in Japan last year, a 13 percent jump. At a meeting with reporters in January, the com-

"I don't think we've slowed down. It's just that Nissan has increased so dramatically, it looks like we've slowed down."

Takashi Matsuda, head of Honda's domestic sales operations.

pany's outspoken president, Tadashi Kume, an engineer who once quit the company in an engineering dispute with its founder, Soichiro Honda, set a target of selling 800,000 cars annually in Japan sometime in the next few years.

Soon after he spoke, though, domestic sales began to unravel. Excluding minicars, the inexpensive autos designed to navigate Tokyo's winding back streets, sales in the first five months actually dropped slightly from the comparable period of 1988.

The decline was partly the result of buyers waiting for new, lower car taxes to take effect on April 1. But Nissan also began to take some revenge. Honda's market share, excluding minicars, declined from 7.8 percent of the Japanese market to about 7.3 percent. (Including minicars, it also fell from 9.1 percent last year to 8.7 percent this year.)

There are various explanations for Honda's troubles. Paradoxically, though, most people inside and outside the company say it suffered from its remarkable success. Some analysts contend that the company was trapped by its

fairly rigid three-year cycles for redesigning cars, and found itself unable to match Nissan's new offerings.

Earnings were further hurt by smaller foreign-exchange gains, a risk of trading currencies as a hedge against fluctuations in the yen-dollar rates that affect the profitability of exported cars.

But others see more fundamental problems. One of Honda's big selling points, the instant recognizability of its cars, became a sort of liability.

"If you look at most Japanese cars, they look like cars," said Bruce Carter, a U.S. Embassy official here who analyzes the competitive strategies of Japan's auto makers. "But when you look at a Honda, you know right away that it is a Honda."

That generated sales, he said, until Hondas became almost too familiar on the streets. Moreover, other carmakers adopted some of Honda's styling features and incorporated them into directly competing models. That is what happened, for example, to the Honda Prelude, the company's immensely popular two-door coupe, a favorite among drivers in their early 20s.

For years, rivals were unable to displace the Prelude. Then last year, Nissan's president, Yataka Kume (no relation to Honda's president), speaking at the introduction of the Nissan Silvia coupe, said the redesigned model was specifically intended to steal customers from the Prelude.

The strategy worked, despite Honda's introduction on the Prelude of the world's first four-wheel steering, a convenience in Japan's tight spaces.

Honda concedes that Nissan's Silvia has out-sold its Prelude in Japan, and Nissan maintains that it has done the same in the United States, where the Silvia is called the 240 SX.

"It has taken Kume four years or so to bring out the cars intended to compete with the whole line, but it's mostly done now," Seichi Mihara, head of marketing and sales for Nissan's cars in America, said at the company's headquarters here this week. "Honda is feeling it."

But Honda has begun to fight back. It has shown, but not yet produced, a \$70,000 mid-engine sports car called the N-SX. An offspring of Honda's Formula One racing technology, the car is intended to compete with the Ferrari, and it has similar, dramatic styling.

Monday's AMEX Closing

Tables include the nationwide price of oil to the closing on Wall Street, and do not reflect late trades elsewhere.

Via The Associated Press

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FINANCIAL MARKETS

Dollar Finishes Lower in New York

NEW YORK — The dollar finished lower Monday in a generally quiet session, with dealers expecting further losses in the next few days in a general correction.

With no U.S. economic data due until later this week, nothing was expected to give a renewed boost to the currency, which fell from recent highs last week.

Rumors were persistent throughout the day that the U.S. Federal Reserve had intervened to sell dollars.

The dollar ended at 1.9790 Deutsche marks, down from 1.9825 on Friday, and at 144.40 yen, compared with 144.85.

The British pound gained slightly to \$1.5425, after \$1.5400 at the previous close.

Stuart Frost, technical trader for National Westminster Bank in New York, said: "All the negative news for the pound has been discounted. So there is a chance for it moving back up."

The pound has suffered recently because of the rising British trade deficit and continuing high inflation.

The U.S. unit also finished at 1.7080 Swiss francs, down from 1.7128, and declined to 6.7055 French francs from 6.7355.

Traders said the dollar was in a

Coin	Mark	Yen	Swiss	French
100	1.9790	144.40	1.7080	6.7055
50	1.9825	144.85	1.7128	6.7355
25	1.9860	145.30	1.7173	6.7700
10	1.9895	145.75	1.7218	6.8045

correction phase and would soon resume its upward trend.

Michael McGuinness of Harris Bank in Chicago said the rise could resume as early as Tuesday, while Bob Hatcher of Barclays Bank in New York said the consolidation could last for two months.

Earlier in London, the dollar closed lower in an extension of losses late last week, dealers said.

"Sentiment is still pro-dollar underneath it all, but the markets are confused," said David Deakin, manager at Nikko Bank PLC in London. "People are trying to work out whether it should go up or down."

The dollar is expected to trade in a narrow range until Friday, when figures for U.S. durable goods orders in May are to be reported.

The currency had climbed to two-and-a-half-year highs on Thursday.

But on Friday it was knocked down by a combination of profit-taking, central bank intervention

and data showing that U.S. inflation in May was higher than economists had predicted.

Tin Fox, treasury economist at the London brokerage Midland Montagu, said that while traders were less certain about the dollar's trend in the short term, they believed that it would eventually go up.

The dollar closed at 1.9735 Deutsche marks, down from 1.9950 DM on Friday, and at 144.60 yen, compared with 145.90.

The pound recovered from an early fall as the entrance of the Spanish peseta in the European Monetary System was seen as isolating Britain, which has not joined the system.

The pound, which ended slightly higher at \$1.5495, compared with 1.5330 on Friday, was also hurt early in the day by news that the Conservative Party of Prime Minister Margaret Thatcher had lost a number of seats in the European Parliament to the opposition Labor Party.

The U.S. unit finished at 1.7075 Swiss francs, down from 1.7228.

"The pound will remain under pressure because many people believe that sterling should now also come in the EMS," said Werner Bauer, chief dealer at Bankhaus Gebrüder Bethmann in Frankfurt.

EC Agrees To New ECU Weightings

LUXEMBOURG — European Community finance ministers on Monday ratified a decision to reduce the roles of the Deutsche mark and the British pound in the European currency unit, allowing for the entry of the Spanish peseta and the Portuguese escudo.

The ratification means that as of Sept. 21, the currencies from all 12 EC member states will be included in the ECU basket.

The mark's new weight in the basket of currencies making up the ECU is 30.1 percent, down from 32.0 percent at the last revision of the ECU basket in 1984.

The weight of the pound was reduced to 13 percent from 15 percent, while the French franc was left unchanged at 19 percent.

The peseta is entering the basket at a 5.3 percent weighting, while the escudo will enter at a 0.8 percent weighting.

The weight of a currency in the basket shows its importance in setting the value of the ECU. Weights are based on economic strength of individual EC countries and their share in trade.

Spain and Portugal joined the community on Jan. 1, 1986.

The entry of Spain and Portugal in the ECU basket and the new currency weights were decided by the EC monetary committee earlier this month. The monetary committee is made up of senior officials of the treasuries and central banks of the 12 member states.

But their decision had to be ratified by the EC ministers.

The ECU, because of its popularity as a financing vehicle in the international credit markets, has become the fifth most widely used currency in the world.

Hemming Christensen, European commissioner for finance, said the new weightings would probably have a small, upward effect, of about 0.3 of a percentage point, on ECU bond rates, given that Spanish and Portuguese rates are generally higher than in the rest of the community.

In addition to its role in the bond market, the ECU also serves as the cross-reference point for the European Monetary System's exchange rate mechanism.

Under the mechanism, participating governments agree to intervene in the foreign exchange market to keep their own currency within agreed limits.

Three governments — Britain, France and Italy — also finance part of their spending in ECU. (AP, AFP)

Monday's NASDAQ Prices

Prices as of 4 p.m. New York time. This list, compiled by the AP, consists of the 1,000 most traded securities in terms of dollar volume. It is updated twice a year.

Via The Associated Press

Stock	High	Low	Open	Close	Change
IBM	154 1/4	153 3/4	154 1/4	153 3/4	-1/8
Microsoft	48 1/4	47 3/4	48 1/4	47 3/4	-1/8
Intel	34 1/4	33 3/4	34 1/4	33 3/4	-1/8
Apple	28 1/4	27 3/4	28 1/4	27 3/4	-1/8
Oracle	18 1/4	17 3/4	18 1/4	17 3/4	-1/8
Sun	12 1/4	11 3/4	12 1/4	11 3/4	-1/8
Northern Telecom	10 1/4	9 3/4	10 1/4	9 3/4	-1/8
World Wide Web	8 1/4	7 3/4	8 1/4	7 3/4	-1/8
Electronic Data Systems	6 1/4	5 3/4	6 1/4	5 3/4	-1/8
Computer Sciences	5 1/4	4 3/4	5 1/4	4 3/4	-1/8

EMS: Thatcher Resists Calls for EC Monetary Union

(Continued from first finance page)

pared by EC Commission's president, Jacques Delors.

The Delors proposals will be the subject of debate next Monday and Tuesday during the EC summit meeting in Madrid. The plans call for all EC currencies to be full members of the EMS before broad monetary integration begins in July 1990.

Mrs. Thatcher is likely to face stiff pressure from other EC states next week to soften her views on the Delors proposals.

In Paris on Monday, the French Foreign Minister Roland Dumas and his West German counterpart Hans Dietrich Genscher, called for the Delors report to be "adopted in its totality" at next week's summit.

"The two countries want a decisive political impulse to be given in Madrid in favor of economic and monetary union," the ministers said in a statement.

Mr. Gonzalez, speaking to journalists after his meeting with Mrs. Thatcher, said he "did not exclude" that an agreement could be reached in Madrid on the Delors proposals about monetary union. But he said he expected all EC currencies to eventually become full members of the EMS.

He said he was convinced that

within two to three years, all EC currencies would be in the EMS.

"I am sure of this because it is inevitable change of events," he said.

Neither Mr. Gonzalez's visit or the European election result is expected to change Mrs. Thatcher's position, Mrs. Thatcher said. She said she would join the exchange-rate mechanism when the time is right. And Mr. Gonzalez explained his reasons for going in.

"Both positions are fairly clear," a British official close to the talks said. "Mrs. Thatcher has said she will join the exchange-rate mechanism when the time is right. And Mr. Gonzalez explained his reasons for going in."

The British leader has repeatedly indicated that Britain is not prepared to move on the EMS for now. She has not ruled out eventual full membership of the pound in the exchange-rate mechanism.

The mechanism commits members to intervene in markets to maintain certain trading bands for the participating currencies.

The eight currencies, the Deutsche mark, the French franc, the Dutch guilder, the Belgian Luxembourg

franc, the Irish punt and the Italian lira.

The peseta, like the lira, is allowed to fluctuate 6 percent within the system. The other currencies are committed to bands of 2.25 percent.

Spain, an active supporter of the Delors plan, will end its presidency of the European Community next week. Mr. Gonzalez's visit to London marked the last leg of a tour of EC capitals, aimed at preparing the groundwork for the potentially contentious summit in Madrid.

A spokesman for the Spanish Embassy in London said Mr. Gonzalez "had tried to explain to Mrs. Thatcher that to be a full member in the EMS had more advantages for Spain than to be on the outside," especially in the fight against inflation and in the quest for a more stable economy.

Apparent differences between Mrs. Thatcher and her chancellor of the Exchequer, Nigel Lawson, over the appropriateness of EMU membership has undermined market confidence in British economic management, economists and traders say.

The pound, despite the attractiveness of high interest rates, has fallen about 15 percent against the dollar and 5 percent against the mark since the beginning of year.

World Stock Markets

Via Agence France Presse. Closing prices in local currencies, June 19

Market	Index	Change
Amsterdam	3,125.00	+12.50
Brussels	3,125.00	+12.50
Frankfurt	3,125.00	+12.50
London	3,125.00	+12.50
Madrid	3,125.00	+12.50
Paris	3,125.00	+12.50
Stockholm	3,125.00	+12.50
Switzerland	3,125.00	+12.50
Tokyo	3,125.00	+12.50
Zurich	3,125.00	+12.50

Market	Index	Change
Amsterdam	3,125.00	+12.50
Brussels	3,125.00	+12.50
Frankfurt	3,125.00	+12.50
London	3,125.00	+12.50
Madrid	3,125.00	+12.50
Paris	3,125.00	+12.50
Stockholm	3,125.00	+12.50
Switzerland	3,125.00	+12.50
Tokyo	3,125.00	+12.50
Zurich	3,125.00	+12.50

Market	Index	Change
Amsterdam	3,125.00	+12.50
Brussels	3,125.00	+12.50
Frankfurt	3,125.00	+12.50
London	3,125.00	+12.50
Madrid	3,125.00	+12.50
Paris	3,125.00	+12.50
Stockholm	3,125.00	+12.50
Switzerland	3,125.00	+12.50
Tokyo	3,125.00	+12.50
Zurich	3,125.00	+12.50

SPORTS

2 Trades by Phillies Could Recast Races In National League

Compiled by Our Staff From Dispatches

The Philadelphia Phillies, one of the two worst teams in major-league baseball, have traded Steve Bedrosian and Juan Samuel, two former all-stars, in separate deals that could make a major difference in both National League division races.

The San Francisco Giants, looking for a relief ace all season, got

power hitters, got the offensive spark plug they wanted in Samuel, a center fielder hitting .249. The Mets, two games behind Chicago in

BASEBALL ROUNDUP

the NL East, sent Len Dykstra, a center fielder, and Roger McDowell, a reliever, to Philadelphia.

"Our scouting reports said Bedrosian is throwing as hard as ever," said Roger Craig, the Giants' manager, "but that he's having trouble with his slider. We just feel he hasn't been getting enough work. You hate to give up young pitching, but when you can get a solid stopper in return, you do it."

Bedrosian, 31, said of the Phillies, "They've been telling me that if things didn't get much better that there was a good chance I would be traded. It was inevitable that I would be moved."

Davey Johnson, the Mets' manager, said he did not arrange the trades and was sad to see the departure of Dykstra and McDowell, who played major roles in the Mets' 1986 World Series victory. "But Juan Samuel is an impact player," Johnson added.

Samuel, 28, had been the second baseman on the Phillies since 1984, but was switched to center this season — and has not played particularly well there. But he has stolen as many as 72 bases in one season, and in 1987 he hit 28 home runs and knocked in 100 runs.

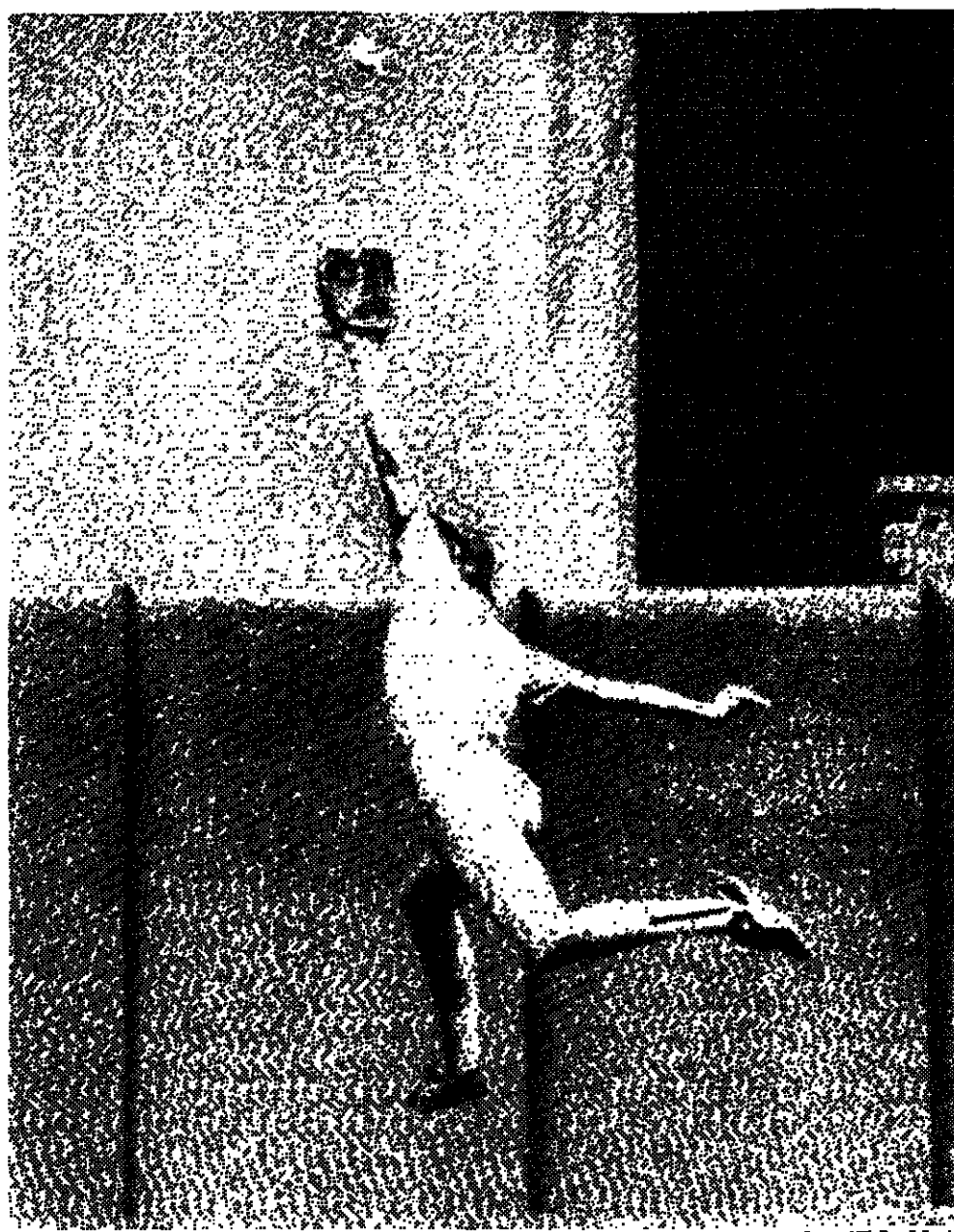
He also strikes out a lot. In fact, he led the National League in strikeouts from 1984 through 1987. Samuel said of the trade, "I don't know if I won or lost. But I think I picked up about 10 games in the standings."

"Time doesn't stand still," said Joe McIlvaine, the vice president of the Mets, who has been pursuing offensive players in the market for six months.

"You have to renew the team. As much as we would like to be nostalgic, time goes on."

The Mets have been retooling the team that has had the best record in baseball during the last five years, but one that has been struggling this year.

They have already given up Ray Knight, Wally Backman and Terry Leach from their winning teams,



Jeff Kunkel robbed the Yankees' Wayne Tolen of a double as the Rangers won, 5-2, in New York.

and they are likely to lose Mookie Wilson as a free agent at the end of the season and possibly Keith Hernandez or Gary Carter.

Dykstra said he looked forward to playing for another team. "If you win, everything's great. If you lose, people start to point fingers. We took it for granted we were going to win. Maybe the trade will shake things up for both clubs."

"For me, this isn't that sad. This is the time for me to make a move. I'm 26 and I've been here nearly five years. Maybe it's time to show I can hit those left-handed pitchers."

"My main regret," McDowell said, "is leaving 22 guys. It's hard

and you're part of the club and responsible for part of its success. I didn't pitch effectively all the time. But I'm looking forward now to a new opportunity."

The Phillies' manager, Nick Leyva, said Dykstra and McDowell will get plenty of playing opportunity. "We've found a leadoff hitter and we've improved our pitching."

The Phillies announced the trades at their game against the Mets on Sunday in Philadelphia, which they won, 6-5, on a ninth-inning home run by Von Hayes.

Giants 2, Reds 1: In San Francisco, Brent Butler beat Cincinnati by

driving in the winning run in the seventh inning with his third hit of the game.

Dodgers 5, Braves 3: In Los Angeles, Mariano Duncan tripled in a run and scored another as Fernando Valenzuela won his third straight, giving up six hits in 7 1/2 innings. Atlanta's Zane Smith lost his seventh straight.

Astros 5, Padres 2: In San Diego, Mike Scott, 11-4, got seven strikeouts en route to tying Dave Steward of Oakland and Rick Reuschel of San Francisco for the major-league lead in victories. Craig Biggio and Ken Caminiti hit home runs for Houston.

(AP, N77)

Hip, Hip, Hooray for the Strikeout

For Drama, There's Nothing Like a Battle With a Big Swinger

By Shirley Povich
Washington Post Service

WASHINGTON — The other day a baseball item in Sports Illustrated magazine concerning the Kansas City Royals' Bo Jackson was one to widen the eyes and prick up the ears.

For Jackson, the bad news was that with his 370th strikeout, he had just surpassed Joe DiMaggio's career total. The worse news was that he had gone to bat 5,800 fewer times than DiMaggio.

All of which permits a dissertation on baseball's strikeout factor. It may not be as thumping exciting as the home run, but it can be just as significant and, in certain circumstances, as theatrical. Properly located, the strikeout can induce as many cheers, or groans, as a ball hit out of the park.

Case in point: Top of the ninth, home team nursing a one-run lead, bases full, two out, 3-and-2 count on the visiting club's most dangerous hitter, who is in the bargain a home run knocker. What will he do? A sneaky fastball brings his bat around. He's out! We win! You bum! Hooray for us!

For those pitchers specializing in the strikeout pitch, their unwilling collaborators are usually the big swingers of the game. Count among them Babe Ruth, Jimmie Foxx, Reggie Jackson, Willie Stargell and Hack Wilson, who paid for their shots at the fence with huge strikeout totals. Also prime strikeout bait are unathletic pitchers. Witness Sandy Koufax, who holds the record of 12 consecutive strikeouts.

And who are the types who defy the strikeout pitch? Almost always it's the little guys, like Joe Sewell of the Indians and Yankees, Nellie Fox of the White Sox and Lloyd Little of the Pirates. Getting a strikeout pitch past Sewell and the others was difficult. You can look it up: Sewell fanned only once every 62 official times at bat, or once every 70 plate appearances overall. In 1925 in his 608 at-bats (not counting his 64 walks, et cetera, he struck out four times; in 1929 he played 115 consecutive games without striking out.

The biggest contrast is not, as suspected, Babe Ruth with his pinochling, full-of-gusto swing. The most frequent victim was the home run-conscious Reggie Jackson, who

fanned 2,597 times, the record for all baseball. Jackson whiffed on an average of once every 3.8 official at-bats — far more than Ruth's 6.3 figure. Toss in Mickey Mantle's 4.6 and a big strikeout ratio, horrid as it may seem, is no disgrace when their run production is factored into the story.

The strikeout pitch is almost always associated with the fastball (Walter Johnson, Nolan Ryan, Koufax, Bob Feller, Dwight Gooden), which was particularly useful against fading giants of the game: Ruth, Foxx, Al Simmons and others who, after putting on age, were increasingly muscle-bound, slow with their bats and unable to get around on the same pitch they used to feast on.

But that the fastball is the strikeout pitch is not necessarily so. In 1948 the pitcher who led the National League in strikeouts was Harry (The Cat) Brecheen, who threw a curveball that "dropped off the table."

The frustration of hitting slow, off-speed pitching was once defined by Sam Rice, a member of the Hall of Fame, who after striking out against one of those types returned to the bench muttering, "That guy hasn't got enough to hit."

Bizarre as it may seem, in 1942 the Chicago Cubs' management was offering the strikeout-prone

outfielder, Lou (The Mad Russian) Novikoff, a cash bonus if he struck out swinging. "He's taking too many called third strikes," it was explained.

And a foul bunt on the third strike didn't count as a strikeout until after the turn of the century. They put the rule in because it was the style of John McGraw of the Baltimore Orioles, then in the National League, to deliberately bunt dozens of pitches foul to tire the pitcher. They spoiled McGraw's little game.

In the 1931 World Series, when the Cardinals faced Connie Mack's Philadelphia Athletics, there was even an un-strike. The scene: top of the ninth, two out, two on, the Cards a run ahead. Mack sent in pinch-hitter Jimmy Moore, who fanned on a third strike and headed for the dugout. So did the Cardinals, with the game ostensibly over.

But it wasn't. The first-base coach, Eddie Collins, had noted that the third-strike pitch hit the dirt before being swallowed by Jimmy Wilson's catcher's mitt. Moore, who was heading for the dugout, was grabbed by another A's coach and led to first base. Umpire Bill Klem ruled him safe because when the pitch hit the dirt, it required a throw to first by catcher Wilson. Now the bases were loaded.

But it didn't matter; the A's didn't score.

Rose Sues to Stop Hearing

The Associated Press

CINCINNATI — Pete Rose, saying his case had been prejudged, went to court Monday to block a hearing on gambling allegations next week by the major-league baseball commissioner, A. Bartlett Giamatti.

Rose, manager of the Cincinnati Reds, was granted a temporary restraining order in a Hamilton County court, according to Reuters. J. Katz, one of Rose's lawyers. The order prevents Giamatti from holding his hearing until the court hears Rose's request for a preliminary injunction.

Giamatti's hearing is to include discussion of a 225-page report from an investigator regarding the allegations.

The court papers of Rose's lawyers said that unless the court intervened, "Rose will be forced to rebut false accusations that he bet on baseball that are contained in an error-ridden report prepared by agents of the commissioner of baseball in proceedings before a biased and prejudiced commissioner."

The 36-page complaint asked the court to determine whether Rose bet on baseball or the Reds, and asks for unspecified monetary damages "which will fairly compensate him for the destruction of his reputation as one of baseball's foremost living participants."

CHESS

By Robert Byrne

IT'S a cause for attention when a brilliant connoisseur of the closed game opts for open or semioopen games. But don't be surprised if the transition shows evidence of being half-hearted.

One thinks back to Salo Flohr of Czechoslovakia in the years before World War II. This man, who lived for delicate positional nuances and slow maneuvering, once started off with the Ruy Lopez, the king of open games. Shocking, just shocking, but he could not sustain that strange fever that had taken possession of him and very shortly guided the game into a quiet closed Exchange variation.

Lately, Viktor Korchnoi of Switzerland, the erstwhile challenger for the world championship, has also been dabbling in the open game but, unlike Flohr, has gone beyond a one-night stand. Nevertheless, his game with Predrag Nikolic of Yugoslavia, played in the first round of the Fourth World Cup Tournament, which ended April 20 in Barcelona, showed Korchnoi, in the best Flohr style, taking the first U-turn that offered itself.

Nikolic had just barely got his Firc Defense under way when Korchnoi shifted from the orthodox 3 Nc3 to the offbeat 3 B3. This was not merely the replacement of one move by another but the shift from a semioopen game-the Pirc-to a closed game-the kind of Old Indian Defense that arose from 3...e5 4 d5 5 Be3 6 Qd2 7 c6 7...Qd4. Now Korchnoi was happy.

Nikolic's 7...b5? was surely a reason-

able gambit; on 8 cb there would have followed 8...cd 9 ed Nbd7 with the plan of 10...Nb6 and 11...Bb7.

Korchnoi declined with 8 Nc3 and here it might have created better dynamics for Nikolic to obtain a type of Old Benoni formation with 8...bc 9 Bc4 c5. Instead, his 8...b4 slowly led to the position arising after 15 dcl Qc6 where White had the Maroczy shield without presenting Black with the normal objects of counterattack. The 4 pawns could not be assaulted by a queen and there was no conceivable way for Black to play for a freeing...d5. Meanwhile, Korchnoi could complete his development in normal fashion and look forward to producing a kingside attack.

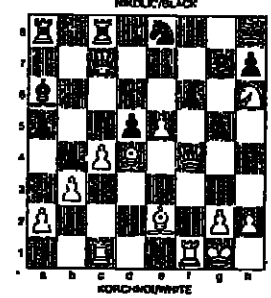
When Korchnoi played 18 Nd3, threatening 19 Be5 de 20 Ne3, Nikolic should at least have simplified with 18...Nd3 19 Bd3.

Using his superiority in space and piece mobility, Korchnoi opened fire on the black king position with 23 f4!, unafraid that, after 23...e4 24 Nf4 Nf4 25 Qf4, Nikolic might try to win a piece with 25...g5.

The vicious point was the queen sacrifice 26 Qe5! f6 27 Rf8 Kg7 28 Rg8! Kf6 (28...Kh6? 29 Bg5mate) 29 Rf1 Kc5 30 Bg4 Kc5 31 Rg5 Kc4 32 Rd5! Qc5 (or 32...Kc3 33 Re1 Kf4 34 g5mate) 33 Be5 Rc5 34 Re1 Kf4 35 g5mate.

Of course, after 25...Bg7 26 Bd4!, the greedy 26...g5? was out of the question because 27 Qe5! f6 permits 38 Rf8mate.

On 26...d5 27 e5!, capturing with 27...f6? would have allowed 28 Be5 Qa7



Position after 27...g5

(28...Qc5? 29 Nf7 or 28...Be5 29 Qf8mate) 29 Kh1 Nc7 30 Qf6!, winning outright.

In fact, there was no defense against the threatened 28...e5. Thus, Nikolic tried 27...g5 28 Qf5 Bb6 29 e5 Qf7, but Korchnoi's 30 Bb5! crushed the defense. On 30...Qd5, there would have come 31 f7 Ng7 32 f8/Q, forcing mate.

After 30...Qf8 31 Be8, it did not matter how Black would recapture, since 32 f7 wins in any event. Nikolic gave up.

PIECE DEFENSE			
White	Black	White	Black
King	King	King	King
Queen	Queen	Queen	Queen
Rook	Rook	Rook	Rook
Bishop	Bishop	Bishop	Bishop
Knight	Knight	Knight	Knight
Pawn	Pawn	Pawn	Pawn
1	2	3	4
5	6	7	8
9	10	11	12
13	14	15	16
17	18	19	20
21	22	23	24
25	26	27	28
29	30	31	32
33	34	35	36
37	38	39	40
41	42	43	44
45	46	47	48
49	50	51	52
53	54	55	56
57	58	59	60
61	62	63	64
65	66	67	68
69	70	71	72
73	74	75	76
77	78	79	80
81	82	83	84
85	86	87	88
89	90	91	92
93	94	95	96
97	98	99	100

BOOKS

FRED ALLEN: His Life and Wit

By Robert Taylor. 340 pages. \$19.95. Little, Brown, 34 Beacon Street, Boston, Mass. 02108.

Reviewed by Jonathan Yardley

NO doubt it is a confession of extreme decrepitude to say so, but there probably aren't all that many of us still around who remember Fred Allen. What a pity that is. In the 1930s and 1940s a great many people thought he was the funniest man in the United States — except, that is, the people who thought Jack Benny was the funniest — and their numbers rose to many millions when his radio programs were aired. Now, though, he is little more than the answer to a trivia question or the star of a nostalgia audio cassette, and we are the poorer for it.

So it is good to have this handsome and admiring biography by Robert Taylor, a critic of art and books for the Boston Globe. Taylor takes Allen seriously — indeed, in a few instances takes him solemnly — and has afforded him not the standard show-biz biography but a careful, scrupulous, thoughtful book that pays him the respect he deserves.

Allen was an Irish-Catholic boy from Boston, born in 1894, who was reared in difficult circumstances but absorbed, all the same, the middle-class verities of his age; his life revolved around "his religious faith, his marriage and his work," and he "held automobiles and most technologies suspect, conducted a vast personal correspondence, believed in the restorative powers of self-improvement and moral earnestness, and preferred to spend his leisure in the company of friends rather than cultivating anonymous useful contacts."

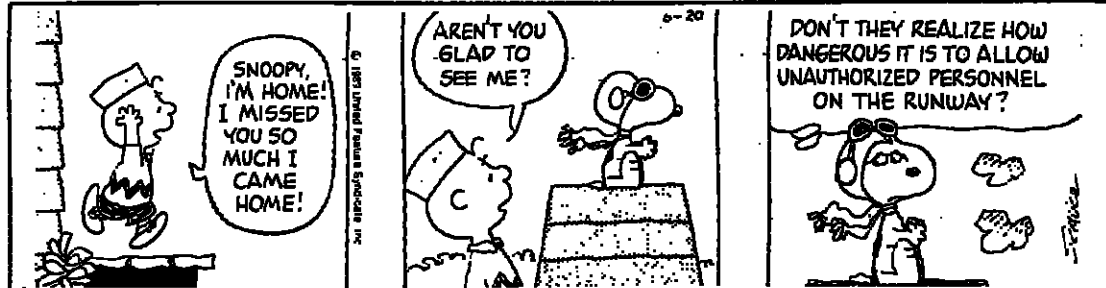
Like most show-business folk of his time, Allen followed a path that began in vaudeville, sauntered through the legitimate theater, and ended up in the movies or (in Allen's case) radio and even television. Like W.C. Fields he began as a juggler and ended up a comedian, though Fields he wasn't all that good at juggling and finally billed himself, with characteristic self-mockery, as the "World's Worst Juggler." His career began slowly, had many moments of doubt and failure, and did not reach its first moment of real success — \$600 a week with "The Greenwich Village Follies" — until he was 30 years old.

Allen's humor "emphasized the resources of language: simile, metaphor, puns, paradoxes, rhetorical devices, reversals of expectation, and linguistic transformations, and thus appealed to the intelligence as well as the funnybone. He actually believed there was such a thing as 'an intelligent mass audience for comedy,' and his success — his show 'attracted a weekly audience of three out of four radio households; an estimated 20 million coast-to-coast listeners' — proved him right, at least for a time; that no comparable television show now exists says, perhaps, as much about the people who run television as about the audience to which they claim to cater.

Taylor's fine biography does an admirable job of bringing Allen's lost art back to life.

Jonathan Yardley is on the staff of The Washington Post.

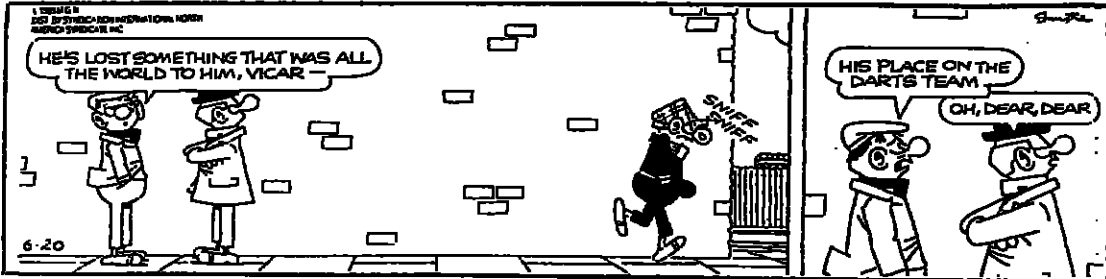
PEANUTS



BEETLE BAILEY



ANDY CAPP



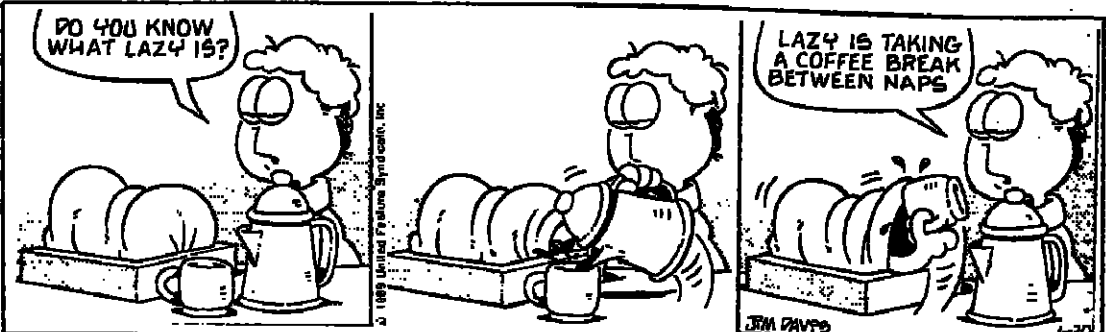
WIZARD of ID



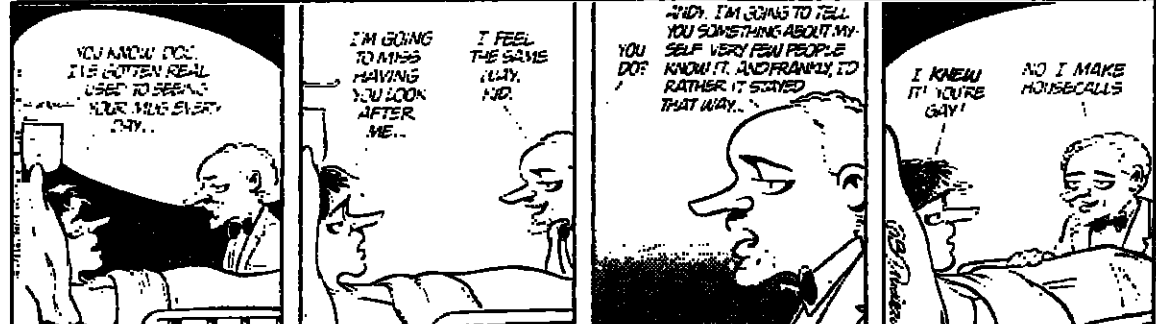
REX MORGAN



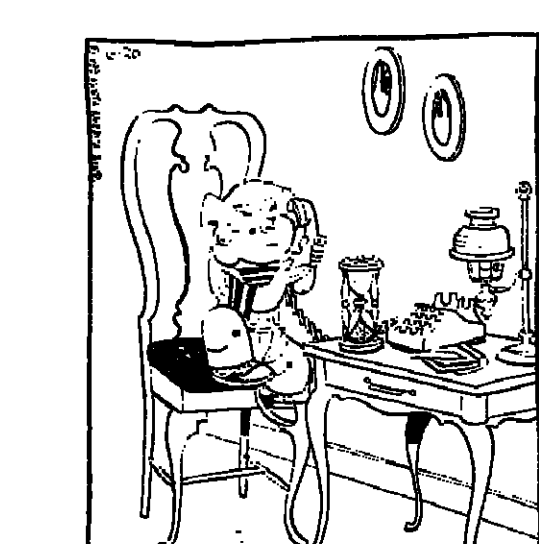
GARFIELD



DOONESBURY



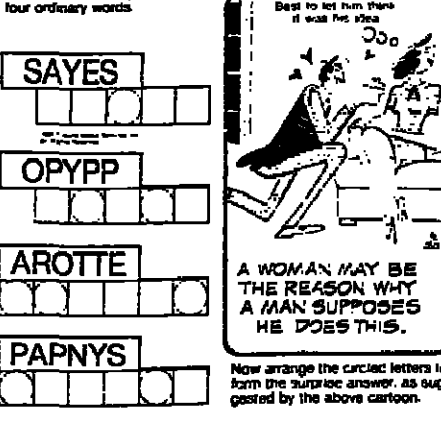
DENNIS THE MENACE



"A BETTER TALK, MARGARET... YOU'RE ALMOST OUT OF SAND."

JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.



Print answer here: _____

Answers tomorrow

Yesterday's Jumble: PEONY MOURN BEYOND PUZZLE Answer: If you watch too much football, you might wear out this—YOUR "END ZONE"

SPORTS

Lone Stars 'n' Lions: The Selling of Sports Logos Has Become a \$3 Billion Business

By Gerald Ekenazi

NEW YORK — Only a few years ago, designer status most often took the form of the crossed Gs of Gucci, or Ralph Lauren's signature polo horse. But a new kind of designer label is captivating millions in America and abroad: the Lone Star symbol of the Dallas Cowboys, or the Nittany Lion of Penn State University.

Fueled by an increase in the games people play and watch, logos and symbols of college and professional teams have become ubiquitous, so much so that they have transcended sports and turned into a \$3 billion market.

Most of this increase has occurred in the last three years. "This whole sports identification thing has gotten bigger and bigger," said James Posner, a retail-industry marketing consultant. "Kids on the street are wearing Harvard and Ohio State shirts and they never went to those schools. It's very pervasive. Once you have an alligator on a shirt and now it says 'Lakers.' Women and children are wearing New York Yankee caps."

And not only on the streets of America but on those in London, Paris, Bonn, Rome, Singapore, Seoul and Tokyo. These wearing the Nittany Lion sweat shirt may not only have never been to Penn State but may never have been in the United States.

This burgeoning market has created some unusual situations:
• Royalties from the licensing of clothing, gear and related items bring in \$10 million annually to the Major League Baseball Players Association in its role as the group licensing representative for the players. In addition, trading-card royalties generate \$20 million. This year's \$30 million is being held as part of its 1990 strike fund.

• The New York Mets are one of four major league baseball teams that boast their own clothing store. Operated in conjunction with Major League Baseball, the Mets' store sells not only authentic uniforms but broken bats (\$100 for a Darryl Strawberry bat) and used helmets.

• One out of every 13 Penn State graduates in Pennsylvania owns a vanity license plate, issued by the state Department of Transportation, that reads "Penn State Alum." It is part of the school's aggressive marketing program that followed its 1986 official national football championship.

• The University of Iowa receives \$500,000 annually — including \$200,000 from sales of National Collegiate Athletic Association-endorsed equipment in Japan — from licensees who market the Hawkeye trademark.

These arrangements are part of a new market that has astounded even the people who helped create it, and has become a significant segment of the financial planning of colleges and professional teams. It has also given rise to a sizeable market for unauthorized merchandise.

Many teams and colleges, like Notre Dame, acquired trademarks to prevent the unauthorized use of their names. But now, the pros and colleges use federal marshals and local police to seize imitation merchandise at such events as the National Collegiate Athletic Association's basketball tournament, the Super Bowl and the World Series — each of which has its own logo, sold only to licensees.

At major schools all over the United States, athletic boosters swelled in the last 10 years because of Title IX, which mandated equal opportunities for women's sports. Because of the increased expenditures, many athletic departments operated at a deficit, and, to compensate, they turned to this new, unexpected source of income.

Title IX put tremendous pressure on universities to increase revenues, said Dickie Van Meter of the University of Iowa, president of the Association of College Licensing Administrators. "At Iowa, for example, our athletic department budget is \$13 million, and we're looking for increased revenue."

As a result, college licensing sales have reached \$1 billion a year, double the 1986 figure, said Freida D. Donnan, administrator of licensing for Champion sportswear. She estimates that \$40 million is returned to various colleges in royalties.

Virtually all of the sales revolve around a school's athletic teams as opposed, say, to its music department. While mugs and pens and other novelty items have been added, about 70 percent of the sales come from apparel and sports gear.

Notre Dame not only is the NCAA's reigning unofficial champion on the football field. With income of about \$1 million a year, it also is the

collegiate leader in generating royalties, according to two college officials familiar with royalties. "When Penn State became the national champion, its sales jumped so much, its royalties reached \$800,000," said Van Meter of Iowa.

Penn State also began its vanity-plates program, and has expanded it to New Jersey, Maryland and Virginia. While the school doesn't actually receive a royalty from the motor vehicle bureaus, a car owner must be a dues-paying member of the alumni association to be eligible for the plate.

Several years ago, the NCAA, which essentially runs college sports, saw the potential for licensing as well, especially with the success of its basketball tournament. That has helped increase NCAA-approved sales to more than \$40 million from \$1.5 million only 10 years ago. Royalties have expanded to \$3.2 million from \$50,000.

The association used 30 law-enforcement people, including U.S. marshals, to confiscate non-licensed caps, shirts and sweaters at the recent tournament in Seattle. Because a trademark is federally protected, sports leagues can use marshals to confiscate unauthorized goods.

The National Football League Properties division is considered the patriarch of the licensing business, which it began 26 years ago. But the other major pro sports have only recently plunged in, with startling results.

"Television has made sports a national phenomenon more than it's ever been," said Frank Vitano, senior director of retail licensing for NFL Properties. "Our business has been growing 25 percent a year for the last five years. Also, the quality of the goods has increased tremendously."

While some leagues do not reveal their sales figures or royalties, sources from inside and outside the leagues paint a rosy picture. The NFL's sales, for example, are expected to hit \$600 million this year, with royalties to the league reaching \$25 million.

Generally, royalties in the licensing business range from 6 percent to 8 percent of the wholesale revenue.

The National Basketball Association's sales have surged from \$14 million in 1982 to \$400 million, returning between \$15 million to \$20 million annually to the league. It distributes about \$1 million to the Players Association and, after expenses, divides the rest among the league's teams. Last year, sales shot up by 73 percent.

One of the league's hot items is the Dirty Dunk laundry basket, which was featured in a Sears catalogue. More than 10,000 were sold last year. It was a product found in college dormitories and young people's bedrooms: a laundry bag that looks like basketball netting but is tied on the bottom and attached to a hoop and backboard.

The NBA has become so popular that 7 out of 10 backboards sold for garages and driveways in the United States have the league's logo, the outline of a player (modeled by Jerry West) dribbling against a patriotic red-white-and-blue background.

Two years ago, such significant profits prompted the more conservative National Hockey League to create its own licensing division to perk up its moribund sales. It brought over an official from the Hawthay Shirt Co., Fred Scalzi.

"This year, our business increased 60 percent," he said. "We project a 40 percent increase next year." He expects sales of NHL-endorsed products to reach \$125 million this year, returning about \$5 million to the league.

Baseball is a special case. Its figures are skewed because of trading cards, which make up 30 percent of its total sales. Still, that percentage is lower than it was several years ago, when it accounted for almost half of the sales. Since then, baseball has expanded its product line.

Richard White, the president of Major League Baseball Properties, said that six-month sales for this year had already reached \$600 million, virtually as much as all of last year's. And that figure was \$200 million more than in 1987. In 1988, about \$26 million was returned to baseball in royalties.

For example, it helps run a Beverly Hills store in Milwaukee, an A's shop in Oakland, a Padres store in San Diego and the Mets' Clubhouse shop in Manhattan. This year, the Angels will open a store in Anaheim, California, the Red Sox one in Boston and the Pirates one in Pittsburgh.

The Mets' Clubhouse, in its first season, is generating sales of \$300 to \$400 a square foot, which the manager, Joe McGrath, describes as "higher than another similar store I was associated with before."

This is a store not only for traditional Mets' apparel — jackets, caps, shirts and sweaters — but also for actual artifacts of Metdom, helmets and shirts and bats.

"These items help me identify with the team," said Joseph Bornstein of Manhattan, a recent browser in the store. "I go to spring training and wear my cap. I'll go to a Yankee game and wear my Yankee shirt."

In another part of the store, a tourist from Tokyo, Mass Kanda, was asked through an interpreter what he was interested in buying. "Everything," he replied.

Now It's Strange 2 Straight and Kite Still 0



Steady Curtis Strange picked up speed nearing the 18th green and a second straight U.S. Open title.

By Gordon S. White Jr.

New York Times Service

PITTSFORD, New York — Curtis Strange played one of the most efficient rounds of championship golf in many years and with it became the first man in 38 years to win consecutive U.S. Open titles.

Strange, who won the Open title and his first major championship last year at The Country Club in Brookline, Massachusetts, became the sixth man to repeat as winner of golf's most prestigious tournament.

Ben Hogan had been the last to do it, winning in 1950 and 1951.

While the two men who started the day ahead of Strange — Tom Kite and Scott Simpson — shipped badly and others who came along to challenge also fell behind eventually, the 34-year-old Virginian played a one-birdie, one-bogey 16-par round of par 70 on Sunday to win the 89th Open by a stroke at two-under 278.

One way to win a golf tournament is to go out and shoot a lot of birdies and not make mistakes in the final round, but that is rarely possible at the Open, which is played on difficult courses.

But Strange had another method on the Oak Hill Country Club's East Course, just outside of Rochester. He played as steadily as possible while others fell by the wayside.

With 15 consecutive pars, a birdie on the par-4 16th and a three-putt bogey on No. 18, Strange came in to join Willie Anderson, who won in 1903, '04 and '05; John J. McDermott, 1911-1912; Bobby Jones, 1929-1930; Ralph Guldahl, 1937-1938, and Hogan as winner of consecutive Opens.

Chip Beck, who was runner-up to Ray Floyd in the 1986 Open, and Ian Woosnam of Wales, who was

playing his first U.S. Open, shot 68 to tie Mark McCumber, who had 69, for second at 279.

Brian Claar was fifth at 280. Simpson, winner of the 1987 Open, tied Jumbo Ozaki of Japan at 281.

Kite, a 39-year-old Texan who started the final round with a one-stroke lead, crashed to an eight-over 78 and tied with three others for ninth spot at 283.

Nick Faldo of England, who lost to Strange in a playoff in the Open last year and won the Masters in April, had, in many people's minds, replaced Strange as the No. 1 player in the world. But Faldo, the pre-tournament favorite here, finished tied for 18th at 285.

Strange, who led after the second round, bounced back from a 73 on Saturday. But not with a flashy rally. He came back by the steady route, the way he has usually played, hitting from tee to fairway to green without many mistakes.

He had a birdie on the 16th hole Friday, when he shot 64 to take the lead, missing the Open one-round record by a shot. He went 36 holes without another birdie, until he sank a 20-foot (6-meter) putt on the 16th Sunday. In that stretch, he had 16 straight pars.

Sunday was the only rain-free day of the tournament, and the sun even came out before Strange walked up to the final hole. He three-putted there for a bogey, but it was too late for anyone to capitalize.

After he had finished and his victory was official, Strange, with his wife, Sarah, by his side, said: "Last year, I won for my father and my friends around the world. This one is for Sarah and me."

When play started, Kite appeared to be the man to beat on a course that had been soaked by rains every day of the past week. But once again, in his 18th year as a pro, he failed to win a first title.

After saving a par 4 on the first hole despite a drive way left into rough, Kite leaped to a three-shot lead over Simpson with a 15-foot birdie putt on the par-3 third. Simpson drove way left on No. 3 and had to take a bogey 4.

The two had tied off on No. 1 as Sunday's last two-hole began. With Kite holding a shot edge over Simpson and a two-shot advantage over Strange, when Kite got the birdie at No. 3, Strange and Ozaki were four shots behind the lead.

At No. 5, a 406-yard (371-meter) par-4, Kite's serious trouble began. Allen's Creek, which meanders through eight holes of Oak Hill's East Course, runs in front of the fifth green, then along the right side of the fairway toward the tee on its way to spilling off the course behind the eighth tee.

Kite pushed his drive far right, the ball going into the creek, which was serving as a lateral hazard. Getting a drop at the point of entering the hazard, Kite was still in deep rough. He hit his third shot as a lay-up, short of the creek fronting the green, and got his fourth stroke on the green.

But then he became careless. After missing his first putt from 12 feet, he missed his second from 2 feet and had to make his third putt from 2 feet to get a triple-bogey 7.

Then put him in a tie with Simpson for the lead, but for only a short time. Simpson had a sudden collapse as he double-bogeyed the eighth and bogeyed the ninth. By the time Kite made the turn, after taking a bogey at No. 8, he was tied for the lead with Strange and Ozaki. Then Kite double-bogeyed No. 13, and double-bogeyed again at 15.

Ozaki, a former professional baseball player in Japan, had birdied the 8th and the 10th. But he got tangled up in the deep, still-wet rough on the 14th and 16th, bogeying both and left it up to Strange.

And Strange was simply moving along smoothly, paring hole after hole. Kite's agony: at age 39, the best golfer never to have won a major title.

Kite's agony: at age 39, the best golfer never to have won a major title.

Creek, high from all the recent rain that has soaked Oak Hill's East course.

After a one-stroke penalty and a drop in the rough, Kite landed his ball short of the creek that guards the front of the green, then pitched to within about 10 feet of the cup.

Then his cross-handed putting grip deserted him. He three-putted for a triple-bogey 7 that dropped him into a share of the lead with Scott Simpson, with Strange another stroke behind.

As it developed, that disastrous triple bogey was the beginning of the end in Kite's quest for his first major championship. "I'll be nervous," he had said Saturday night when asked about how he would cope with the pressure of Sunday's final round.

"I anticipate being nervous. I welcome it. I want to be nervous. A lot of people who entered this tournament don't have the chance to be nervous. In the final round, you try to get yourself in a position to win the tournament. Then it's you against yourself."

But sadly, after Tom Kite got himself into position to win the Open, he defeated himself.

VANTAGE POINT/Dave Anderson

Tom Kite: A Most Puzzling Gap

New York Times Service

PITTSFORD, New York — Of all the major golf tournaments, the U.S. Open always seemed to fit Tom Kite's game: narrow fairways for his straight tee shots, fast greens for his smooth putting stroke.

But until this Open, he had never been in contention. In his 17 previous Opens, his highest finish was eighth in 1974 and he had missed the 36-hole cut six times.

Hardly what should be expected of the third leading money-winner on the PGA Tour with more than \$4 million, behind only Tom Watson and Jack Nicklaus on the career list.

But golf traditionalists rate only the U.S. Open, British Open, Masters and Professional Golfers Association championship as major tournaments.

As the bespectacled Texan teed off Sunday at Oak Hill in a white visor, red shirt and navy blue slacks, he had won 12 PGA Tour events. And he was this year's leading money-winner with more than \$600,000 in earnings. But strangely, he was using a cross-handed putting grip with his left hand below his right hand, as he did in the final round of the Kemper Open and again at the Manufacturers Hanover Westchester Classic the week before the Open.

For most golfers, the use of a cross-handed putting grip is a sign of desperation during a slump. But here was the PGA Tour's leading money-winner using it in the Open.

"It's not that big a deal," Kite explained. "I think everyone on tour once in a while experiments with cross-handed putting."

His success with his cross-handed grip wasn't shaken when he missed an 18-inch (45-centimeter) par putt on the 570-yard fourth hole in Saturday's third round.

Kite's confidence in himself and his game also was apparent when his tee shots strayed in Friday's second round.

"With my length, I've got to drive the ball straighter than I did today," he said after that round. "But knowing my game, I'm not anticipating another round driving like that."

But at the fifth hole Sunday his driver deserted him when he pushed his tee shot into Allen's Creek, high from all the recent rain that has soaked Oak Hill's East course.

Every so often at this Open, Kite has been asked if his career would be complete if he failed to close that gap.

"It would definitely be fulfilling," he said. "There have been an awful lot of very good players who have not won majors and have been consistent players over the years and have come up short. Yet they continue to go on. I think that you have enough pressure at the major championships without going out on a limb and saying that your career is not going to be complete or fulfilled."

After winning The Players Championship earlier this year, Kite described it as a "major to me," but golf traditionalists rate only the U.S. Open, British Open, Masters and Professional Golfers Association championship as major tournaments.

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SCOREBOARD

U.S. Open

Final scores and money won Sunday at the 89th U.S. Open Golf Championship at Oak Hill Country Club in Rochester, New York (Par 72):

Curtis Strange, 278, \$1,000,000
Nick Faldo, 280, \$200,000
Tom Kite, 281, \$100,000
Scott Simpson, 281, \$100,000
J. H. Oosthuizen, 281, \$100,000
Tom Kite, 281, \$100,000
Scott Simpson, 281, \$100,000
J. H. Oosthuizen, 281, \$100,000
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Scott Simpson, 281, \$100,000
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U.S. Open Champions

1989—Curtis Strange; 1988—Ray Floyd; 1987—Scott Simpson; 1986—Tom Kite; 1985—Tom Kite; 1984—Tom Kite; 1983—Tom Kite; 1982—Tom Kite; 1981—Tom Kite; 1980—Tom Kite; 1979—Tom Kite; 1978—Tom Kite; 1977—Tom Kite; 1976—Tom Kite; 1975—Tom Kite; 1974—Tom Kite; 1973—Tom Kite; 1972—Tom Kite; 1971—Tom Kite; 1970—Tom Kite; 1969—Tom Kite; 1968—Tom Kite; 1967—Tom Kite; 1966—Tom Kite; 1965—Tom Kite; 1964—Tom Kite; 1963—Tom Kite; 1962—Tom Kite; 1961—Tom Kite; 1960—Tom Kite; 1959—Tom Kite; 1958—Tom Kite; 1957—Tom Kite; 1956—Tom Kite; 1955—Tom Kite; 1954—Tom Kite; 1953—Tom Kite; 1952—Tom Kite; 1951—Tom Kite; 1950—Tom Kite; 1949—Tom Kite; 1948—Tom Kite; 1947—Tom Kite; 1946—Tom Kite; 1945—Tom Kite; 1944—Tom Kite; 1943—Tom Kite; 1942—Tom Kite; 1941—Tom Kite; 1940—Tom Kite; 1939—Tom Kite; 1938—Tom Kite; 1937—Tom Kite; 1936—Tom Kite; 1935—Tom Kite; 1934—Tom Kite; 1933—Tom Kite; 1932—Tom Kite; 1931—Tom Kite; 1930—Tom Kite; 1929—Tom Kite; 1928—Tom Kite; 1927—Tom Kite; 1926—Tom Kite; 1925—Tom Kite; 1924—Tom Kite; 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